SLOVENIAN ACCOUNTING STANDARDS 2016

LJUBLJANA, January 2016.

NEW SLOVENIAN ACCOUNTING STANDARDS 2016

The first Slovenian Accounting Standards (hereinafter referred to as the SASs) were adopted in 1993 and became applicable on 1 January 1994. The conceptual creator and designer of the first SASs was Professor Ivan Turk, PhD.

Since the adoption of the SASs (1993), the development of accounting theory in the world has also progressed by leaps and bounds. The development of Slovenian accounting theory, and thus of course of the SASs, has been from the very beginning strongly influenced and guided by the Anglo-American school of accounting. Under this influence, radical and very important changes in International Accounting Standards (hereinafter referred to as the IASs) took place. In 2001, the Institute's Council of Experts adopted the new SASs (2002), which consisted of 40 SASs. The SASs (2002) were based on the then contemporary approach to the valuation of items in financial statements, which recommended and emphasised, in particular, a true and fair presentation of assets and liabilities and a true and fair view of the results of business and financial performance. With the aim of moving as close as possible to this objective, the SASs (2002) were based on a great consideration of the principle of fair value, in particular in relation to the recording of assets and liabilities; at the same time, they also derived from the assumption of prudence in the compilation and measurement of profit or loss.

Slovenia's accession to the European Union, the application of European legislation, and in particular the changes in the EU directives relating to accounting, have required Slovenia to amend and supplement the Companies Act (ZGD), the basic law governing the operation of companies, which also determines the method of accounting monitoring of operations and the valuation and measurement of individual categories, the preparation of the balance sheet showing companies' assets and liabilities, the determination of the financial result, and the calculation and presentation of the profit or loss of companies. The concepts and foundations of company accounting were thus laid down in law and are further defined in the accounting standards. The revision of the SASs (2002), as well as the adaptation to the substantive concepts, theoretical bases and, above all, the basic rules for the valuation and measurement of accounting items under International Financial Reporting Standards (hereinafter referred to as the IFRSs) and the preparation of financial statements on this basis, were certainly the most important and professionally demanding tasks in the revision and adoption of the new SASs (2006).

The third revision of the SASs (2016) is also based on the provisions of the Companies Act (ZGD-1) and transposes the content of the new Accounting Directive 2013/34/EU into the Slovenian legal order. The original SASs were based on the fundamental idea that external financial reporting, which is shaped by external requirements, shall also influence the underlying regulation of accounting on which specific internal reporting solutions are based. However, like IFRSs, the 2016 SASs only address financial accounting and reporting rules for the external needs of organisations. The 2016 SASs govern the accounting rules for external financial reporting primarily for companies, but will also be applied by other organisations, sole proprietors, institutes, societies, agencies and even government organisations if specifically required by sectoral regulations. Therefore, the term organisation is used in the revised SASs as the broadest term for all users of the SASs. The basic accounting rules, in particular the rules for recognition, derecognition, measurement, and valuation of economic categories, are the same for all organisations under the revised accounting concept, irrespective of the legal and organisational form of the organisation. Therefore, only the specific features of accounting solutions referring to organisations that are not companies or are social enterprises is dealt with in separate standards. Thus, the full 2016 SASs comprise the Introduction to the SASs and the

Framework of the SASs, and the individual SASs regulating the economic categories (Standards I), the external financial reporting standards (Standards II) and the standards specific to organisations in particular industries (Standards III).

However, the Committee on SASs has also decided, in view of the very frequent changes to IFRSs, to follow the example of some other EU countries in clearly defining the relationship between SASs and IFRSs. The 2016 SASs are therefore stand-alone standards and no longer refer to the provisions of IFRSs. The Introduction to the SASs and the Framework of the SASs (2016) therefore prescribe that the provisions in the IFRSs are only information on professional achievements.

The SASs are complemented by the Recommended Accounting Rules (RAR), which address the methodology of operation in the different areas of accounting: budgeting, bookkeeping, accounting control, accounting analysis and accounting information, as well as consolidation. Most of these PARs were formally designated as standards in the 2006 SASs. The application of the PARs is, of course, not mandatory, but recommended, especially for internal reporting. However, the Institute's Council of Experts and the Board of Certified Accountants and Accountants will continue, as before, to adopt recommendations for practice, which will be published electronically in the SIR*IUS journal, available on the Institute's website: www.si-revizija.si.

Users are not to be intimidated by the new SASs. As the new 2016 SASs and 2016 PARs are studied and discussed, it will be quickly realised that there are a lot of simplifications. Some substantive and conceptual changes have also been made to make the new SASs more user-friendly, which was the objective of the SAS Committee that drafted them. I believe that users will also be satisfied with the new accounting rules.

The unofficial consolidated text of the SASs is published in this edition, taking into account the latest amendments and supplements to the SASs adopted by the end of 2018.

Director General of the Slovenian Institute of Auditors

Marjan Odar, Ph.D.

Ljubljana, December 2018

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INTRODUCTION TO THE SLOVENIAN ACCOUNTING STANDARDS AND THE FRAMEWORK OF THE SLOVENIAN ACCOUNTING STANDARDS (2016)

A Introduction

1 The Purpose of the Slovenian Accounting Standards

The Slovenian Accounting Standards (hereinafter referred to as the SASs) are the rules of professional conduct in the field of accounting, which were developed by the Slovenian Institute of Auditors (hereinafter referred to as the Institute). Article 5 of the 1989 Accounting Act provided an impetus to the development of the accounting standards by authorizing the supreme professional organisation in the country to independently develop its professional standards following both the advancement of the profession internationally and its achievements on the domestic front, thus replacing the former role of the national government which had regulated the accounting profession and activities by adopting relevant laws and other regulations. This new trend in the development of professional standards continued in the Republic of Slovenia through the Companies Act and the Auditing Act as well as other laws and regulations that use the two Acts as reference.

The SASs revised for the third time are based on the Companies Act and transpose the content of Directive 2013/34/EU into the Slovenian legal order. The SASs set out professional accounting rules by amending and defining, in greater detail, the statutory provisions and definitions. They are therefore rules of the profession that break-down the basic accounting rules and requirements laid down by law and determine how they shall be applied.

The SASs are an original merger of national accounting theory with the international requirements, in particular those defined by the International Financial Reporting Standards and European Union directives. The distinctive feature of the original SASs was that they dealt with accounting as a whole, both for internal and external needs of organisations. They covered financial, cost and management accounting. The original SASs were based on the fundamental idea that external financial reporting, shaped by external requirements, and should also influence the underlying accounting arrangements on which specific internal reporting solutions are based. However, the revised SASs, similar to the International Financial Reporting Standards, only address financial accounting and reporting rules for the external requirements of organisations. They are complemented by the Recommended Accounting Rules (hereinafter RARs), which were previously part of the SASs.

In both financial and cost accounting, business events (transactions) are normally monitored in monetary terms since bookkeeping is the core section of any financial and cost accounting. If, however, the managerial aspect of accounting prevails, accounting information may include both monetary and non-monetary items (expressed in natural units of measure). From the management point of view, the accounting thus provides planning, measurement, and the preparation of information system data, expressed in either monetary amounts or natural units of measure, which affect the management activities required to implement the strategy of organisations and to achieve their tactical and operational goals in order to increase the organisation's value. For this reason, management accounting as a management information system comprises monetary and non-monetary data on the organisation's activities, its production units, products, services, customers, processes, employees, technology, suppliers, and competitors. The national theoretic approach to accounting has been embodied in the Code of Accounting Principles. The first Code was developed and adopted in 1972, while the last revised version was approved by the Institute's Council of Experts on 22 March 1995. The current SASs are derived from this general national theoretic framework. Whereas the accounting principles deal with the understanding of accounting, describe its fundamental features and form the basis for accounting policies relevant to the substance and measurement of economic categories and their presentation and explanation, the accounting standards deal, in greater detail, with accounting principles concerning the capturing and processing of accounting data, the preparation and presentation of accounting information, and the storage of accounting data. The Code of Accounting Principles has not been subsequently revised or amended, as the SASs are required to be based on the requirements of the European Union Directives. Financial statements stipulated by law are merely a final consequence of bookkeeping. The SASs deal in great detail with the procedures which affect the mandatory financial statements for external purposes, but do not, however, provide details relevant to other statements of accounts and budgets prepared for external purposes, and deal much less with the details relevant to the statements of accounts and budgets prepared for internal purposes. Furthermore, the Slovenian Accounting Standards do not explore issues concerning taxation. Taxation regulations may in many respects complement the requirements imposed by professional standards, but they only affect the way tax accounts or returns are prepared, not the solutions in accounting standards.

The SASs apply primarily to companies, but are also used by other organisations, sole proprietors, institutes, societies, agencies and even government organisations, where this is specifically provided for in sectoral regulations. Thus, the revised SASs use the term organisation as the broadest term for all users of the SASs. The fundamental rules of accounting, in particular the rules for recognition, derecognition, measurement and valuation of economic categories, shall be the same in all organisations under the revised accounting concept regardless of the legal and organisational form of the organisation. Therefore, specific standards regulate only specific features of accounting solutions for organisations that are not companies or are social enterprises. The components of SASs are the explanatory glossaries of technical terms added to each standard and the clarifications of the SASs or to the Introduction to the SASs and the Framework of the SASs.

This Introduction to the SASs presents the general background to the structure of the SASs. Each SAS shall be read in conjunction with this Introduction.

2 The Slovenian Accounting Standards System

The full SASs include the Introduction to the SASs and the Framework of the SASs, and the individual SASs that regulate economic categories (Standards I), external financial reporting standards (Standards II) and standards specific to organisations in particular industries (Standards III). Their classification is as follows:

SAS 1 (2016) Property, Plant and Equipment
SAS 2 (2016) Intangible Assets
SAS 3 (2016) Investments
SAS 4 (2016) Inventories
SAS 5 (2016) Receivables
SAS 6 (2016) Investment Property
SAS 7 (2016) Cash
SAS 8 (2016) Equity
SAS 9 (2016) Liabilities
SAS 10 (2016) Provisions

SAS 11 (2016) Accruals and Deferrals
SAS 12 (2016) Costs of Materials and Services
SAS 13 (2016) Labour and Employee Benefit Costs
SAS 14 (2016) Expenses
SAS 15 (2019) Revenue
SAS 16 (2016) Identification and Measurement of Fair Value
SAS 17 (2016) Impairment of Property, Plant and Equipment and Intangible Assets
SAS 20 (2016) Formats of a Balance Sheet for External Financial Reporting
SAS 21 (2016) Formats of an Income Statement for External Financial Reporting
SAS 22 (2016) Formats of a Cash Flow Statement for External Financial Reporting
SAS 23 (2016) Formats of a Statement of Changes in Equity for External Financial Reporting
SAS 30 (2016) Accounting Solutions for Sole Proprietors
SAS 31 (2016) Accounting Solutions for Co-operatives
SAS 32 (2016) Accounting Solutions for Public Service Enterprises
SAS 33 (2016) Accounting Solutions for Societies and Disabled Persons Organisations
SAS 34 (2016) Accounting Solutions for Non-Profit Organisations - Legal Entities Governed by Private Law
SAS 35 (2016) Accounting Solutions for Social Enterprises
SAS 39 (2016) Accounting Solutions for Organisations in Bankruptcy or Liquidation

The SASs from 1 to 17 deal with the methodology of substantive presentation of economic categories, the SASs from 20 to 23 the methodology of design presentation of economic categories for external financial reporting, and the SAS from 30 to 39 the specific features of accounting for organisations in particular industries and the specific features of accounting in situations where the fundamental accounting assumptions underlying the general SASs are not taken into account, for example, the specific features of accounting for organisations with a limited period of operation. In their statutory external reporting, going concern organisations are required to follow the Introduction to the SASs and the Framework of the SASs and the SASs of the individual economic categories (Standards I) and reporting standards (Standards II), other organisations, and the relevant activity-specific standards or standards for organisations operating in special circumstances (Standards III).

Those organisations which are required by law to apply the SASs do not apply directly and indirectly the provisions of the International Financial Reporting Standards prescribed by Commission Regulation 1725/2003/EC (OJ L 261 of 13 October 2003, p. 1, as subsequently amended and supplemented) on the adoption of certain international accounting standards in accordance with Regulation 1606/2002/EC of the European Parliament and of the Council.

Organisations shall keep books of accounts in accordance with their chart of accounts, which shall be compiled on the basis of the Uniform Chart of Accounts for companies, sole proprietors, farm households, cooperatives, non-profit organisations - legal entities governed by private law and societies and disabled persons organisations, which shall be prescribed by the Slovenian Institute of Auditors.

The provisions in the International Financial Reporting Standards shall apply only as information on professional achievements.

3 The Process of Preparing the Slovenian Accounting Standards

The SAS Committee operating within the authorities of the Institute has a permanent chairperson, specifically appointed by the Institute's Council of Experts, and six members. As a rule, at least two members of the seven-member Committee shall be university professors of accounting and auditing, two shall be certified auditors, and two shall be certified / verified accountants. For the compilation of an individual SAS, the SAS Committee shall appoint a working group consisting of a chairperson and two members, normally one of one from among university professors of accounting and auditing, one from among certified auditors and one from among certified accountants. In the event that a SAS significantly affects other industries, the working group shall include a representative of certified / verified business finance experts, certified tax experts, certified internal auditors, certified / verified business and asset valuers, or a certified information systems auditors. In addition to this sort of experts who are registered as such by the Institute, other external experts may also be involved in the process of preparing an individual SAS. Within a specified deadline the working group shall prepare a draft SAS to the Committee; once at least two thirds of the Committee members have approved the draft, it can be submitted to the Institute's Council of Experts. Once at least two thirds of the Council members have approved the draft, it shall be published on the Institute's website and shall be open to public consultation for a period of three months. The same working group will gather comments and proposals submitted in the course of the public consultation and, upon careful deliberation, incorporate them into the final draft SAS which it then submits to the SAS Committee. Once at least two thirds of the Committee members have approved the draft, the final proposal shall be submitted to the Institute's Council of Experts authorized to adopt the Slovenian Accounting Standards. A SAS shall be adopted if no less than two thirds of all members of the Council of Exports have voted in its favour. As such it is then published in the Official Gazette of the Republic of Slovenia with the prior consent of the Minister of the Economic Affairs and the Minister of Finance of the Republic of Slovenia.

The decision of the Institute's Council of Experts, added to the draft of each SAS, which has been submitted for public consultation includes also the names of the chairperson and members of the working group that prepared the draft. Once a particular SAS is adopted, the drafting working group is no longer recorded. However, in the appendix to the Slovenian Accounting Standards, published by the Institute, the names of the members of the Institute's Council of Experts, the SAS Committee and the working groups that drafted individual SASs are recorded. The chairperson of the working group that drafted a particular SAS shall be its main author.

The Institute's interpretations to the SASs or to the Introduction to the SASs and the SAS Framework shall be adopted in accordance with the same procedure, but without any public consultation; they shall also be decided on by the Institute's Council of Experts.

4 The Structure of an Individual Slovenian Accounting Standard

Each of the SAS consists of several sections.

The introductory section (A) explains the purpose and scope of the SASs, as well as the relationship with other SASs.

Chapter B contains the text of the Standard itself; as a rule it is divided into subsections, especially when it refers to the separate economic categories that also call for particular attention in terms of their revaluation.

Section C contains definitions of some terms and/or explanations of the terms used in the Standard that facilitate its understanding. Section D includes the necessary clarifications of the Standard, while Section E sets out the dates of adoption and beginning of application of the Standard.

The text from the beginning of Section B to the end of Section E is, in all SASs, structured in numbered articles. Each article number starts with the number of the relevant Standard; the two numbers are separated by a dot (for example: 1.3 stands for Article 3 of SAS 1). In view of the fact that the SASs are revised from time to time, the effective year shall to be added in brackets at the end of the relevant Standard number (for example: SAS 1 (2016) stands for SAS 1 which became effective in 2016).

Clarifications of the SASs that are not already contained in its Chapter D may be provided and adopted only by the Institute when the need arises. As long as the clarifications are not covered by Chapter D, reference shall be made to the relevant number of the clarification published in the Official Gazette of the Republic of Slovenia. The clarification shall clearly state the standard to which it refers.

5 Recommended Accounting Rules

The SASs complement the Recommended Accounting Rules (RARs), which address the methodology of operation in separate areas of accounting: such as budgeting, bookkeeping, accounting control, accounting analysis and accounting information, as well as consolidation.

RARs are drafted and adopted in the same way as SASs, except that the Minister responsible for Economic Affairs and the Minister responsible for Finance need not give their consent to them. Once adopted, the RARs shall be published on the Institute's website: www.si-revizija.si.

The application of RARs is not mandatory, but is recommended primarily for internal reporting.

The Institute's Council of Experts and the Certified Accountants and Accountants Board may also adopt recommendations for practice, which they publish in the SIR*IUS electronic journal, available on the Institute's website: www.si-revizija.si.

B The Framework of Slovenian Accounting Standards

1 The Fundamental Accounting Assumptions and Qualitative Characteristics of Accounting

Accounting shall be designed in a manner through which the preparation of statements of account and budgets, and thus financial statements, does not cause any major difficulties. The term financial statements covers the balance sheet, income statement, cash flow statement and the statement of changes in equity. The management is responsible for their preparation and presentation of financial statements. External financial reporting requires a true and fair presentation which, of course, is expected also in relation to internal financial reporting. In view of this, the accounting assumptions underlying the preparation of financial statements may be applied in general to the entire accounting.

A*ccrual basis* and *going concern* are two fundamental accounting assumptions.

The first assumption implies that the financial statements shall be prepared on the basis of on the accrual basis of accounting. Under this accounting approach transactions and business events are recognised when they occur, and not as payments have been made or received; they are recorded in books of account and reported in financial statements for the periods to which they relate. Expenses are recognised in the income statement and prior to that in books of account, on the basis of direct connection to the incurred costs or expenses and earned revenue. Nevertheless, the application of the concept of matching of revenue and expenses does not allow the recognition in the balance sheet of those items that are not included in the definition of assets or liabilities. The second assumption implies that financial statements shall be prepared as if the organisation is going to continue its operations for an indefinite time in future and as if it has neither the intention nor the need to discontinue the operations or curtail them materially. Accounting based on this assumption requires the economic categories to be valued differently than they would be if the organisation were to cease its operations. All SASs, except SAS 39 Accounting Solutions for Organisations in Bankruptcy or Liquidation, follow this assumption. Organisations where this assumption is not applicable because there is a reasonable doubt about the continuation of the operations, perform accounting only under SAS 39.

The SASs represent a detailed reminder to organisations of what they need to pay particular attention to when developing their accounting policies, i.e. the rules and procedures that shall be followed and applied in the preparation of financial statements and thus throughout their entire accounting. The qualitative characteristics of financial statements and thus of the entire accounting are *understandability, relevance, reliability* and *comparability.*

The first qualitative characteristic is understandability and it means not only that financial statements and items included in them are readily understandable by users, but also that the meaning of the accounts and the entries in the accounts can be identified. Financial statements are understandable when they are comprehensible to users who have a reasonable knowledge of business and economic activities and accounting, and who study the information with reasonable diligence.

The second qualitative characteristic is relevance and it means not only that the items included in financial statements have the desired, the required and the useful characteristics, but also that the accounts and the entries in the accounts are relevant for a specific purpose and to specific rules. The relevance of items is affected by their nature and materiality, and materiality in turn depends on the size of an item or an error assessed in the particular circumstances, or on the omission or misrepresentation of an item. Information is relevant when it helps the users to take, or to correct or confirm business decisions. Information is material if its omission or misstatement could influence the business decisions of users taken on the basis of financial statements.

The third qualitative characteristic is reliability; it means that not only the items included in financial statements are free from material errors and biased views and that they represent faithfully that which they either purport to represent or could reasonably be expected to represent, but also that the accounts and entries in the accounts are complete and reliable. Information should be complete in terms of materiality. Reliability also requires considering of substance over form. The requirement of substance over form implies that transactions shall be treated in accordance with their economic substance and reality expressed in monetary terms and not merely their legal form.

The fourth qualitative characteristic is comparability and it means that due to the consistency of methods not only items included in financial statements of the same organisation from one year to another or items included in financial statements of different organisations may be compared, but also that the accounts and organisations in the accounts are consistent in methods applied both in the organisation concerned and in any other organisations.

2 Recognition of Economic Categories in Financial Statements and Books of Account

Owners contribute their equity capital together with initial assets in the form of money, property or rights when an organisation is founded. Subsequently, the equity capital is increased by new financial contributions and net profits, and in special cases by the temporary revaluation of individual assets or liabilities. Equity capital is reduced by repayments to owners or by net losses. Equity capital reflects the equity financing of an organisation and is the organisation's obligation to its owners. It is also a liability that cannot be treated as debt. In the course of its operations, however, an organisation will always also assume debt which enables the organisation to co-finance its assets obtained through equity.

The assets obtained by the organisation with either equity or liabilities, have the form of things, rights or money; the organisation manages its assets and expects future economic benefits arising from them. The organisation

a) shall use an asset by itself or in combination with other assets in the production of goods or performance of services sold by the organisation,
b) exchange an asset for other assets,
c) uses an asset to settle its debt, or
d) distributes an asset among its owners.

Many assets are associated with legal rights, including the right of ownership to the organisation. In determining the existence of an asset, the right of ownership is not significant. The capacity of an organisation to control economic benefits is usually the result of the legally secured right, but when its assets are concerned special attention shall be paid primarily to the economic reality, not only to the legal form. In the case of leases, for example, the essence and economic reality is the fact that a lessee acquires the economic benefits of the use of the leased asset in return for an obligation to pay for this right.

An organisation derecognises assets when it no longer controls the assets and no longer expects to derive economic benefits from it. Consequently, the term sale or other disposal of assets means any derecognition of assets that results from the cessation of control over, and the expectation of economic benefits from, the assets.

Liabilities are present obligations of the organisation, except those arising from equity financing, and their settlement is expected to reduce the assets from which the economic benefits flow. Settlement of present obligations may occur, for example, by:

(a) payment of cash,
(b) transfer of other assets,
(c) provision of services,
(d) replacement of that obligation with another obligation or conversion of the obligation to equity, and
(e) the creditor’s waiving or forfeiting its right.

Most liabilities are associated with clearly defined legal or natural persons as creditors. However, this is not unavoidable when establishing the existence of a debt. A provision for costs incurred in the future may likewise be considered an existing liability in conformity with other criteria used in the definition of a debt, even though the amount has to be estimated, and even though the legal or natural person to whom the debt will be owed may not yet be known.

Equity capital, or owners' capital as it is often called in business finance, is the residual interest in the assets of the organisation after deducting all its liabilities. In formal terms, it is classified as nominal or share capital in companies and which is, in a public limited company, stated at the lowest issue value of shares. It is supplemented by share premium above the lowest issue value of shares also contributed by organisation's owners, by retained profit and net profit for the financial year, which may also include earmarked portions as reserves and portions not yet paid to owners, revaluation reserves and reserves arising from valuation at fair value. It is reduced by retained losses and losses for the financial year and by the acquired own shares and interests. The amount at which the equity is shown in the balance sheet depends on the measurement of assets and liabilities. It is usually only by coincidence that the total amount of equity corresponds to the total market value of the shares or the amount that could be raised by disposing of either the assets after the settlement of liabilities on a piecemeal basis or the organisation as a whole on a going concern basis.

Net profit is the difference between revenue and expenses, reduced by income tax payable and restated for deferred tax assets and liabilities. If revenue is lower than expenses, the residual amount is a net loss, increased by potential income tax payable and restated for deferred tax assets and deferred tax liabilities.

Revenue represents increases in economic benefits during the accounting period in the form of increases in assets (for example, cash or receivables arising on a sale of goods) or decreases in liabilities (for example, arising from the waiver of a debt payable) that result in increases in equity, other than those relating to new contributions from the owners.

Expenses are decreases in economic benefits during the accounting period in the form of decreases in assets (for example, arising on a sale of inventories or due to revaluation of some types of assets to their lower fair or other relevant value) or increases in liabilities (for example, arising from accrued interest), that result in decreases in equity, other than those relating to distributions to the owners.

Under the financial concept of capital, profit is earned only if the monetary amount of assets at the end of the accounting period net of any liabilities and excluding any distributions to owners and/or after adding any new capital contributions during the accounting period, exceeds the monetary amount of assets net of any liabilities at the beginning of the accounting period. Ignoring capital distributions and new contributions, it is generally considered that an organisation has maintained its capital when it has as much capital at the end of the accounting period as it had at the beginning of the accounting period, and its purchasing power has remained unchanged. Any amount over and above the level required to maintain the capital existing at the beginning of the accounting period or at the time of its initial increase, is total comprehensive income consisting of net profit and changes in revaluation effects.

An asset is recognised in the balance sheet and, before that, in the financial statements, if it is probable that future cash flows from the asset will economic benefits will flow to it in the foreseeable future and if it has a price or value that can be reliably measured. If there is a degree of certainty that, after the end of the accounting period under consideration, the asset will be the economic benefits associated with the asset will flow that item is no longer regarded as an asset, it shall be derecognised and an expense recognised.

A debt shall be recognized in the balance sheet, and prior to that in books of account, when it is probable that the settlement of the debt will result in a decrease in the assets embodying the economic benefits and the amount required to settle the debt can be measured reliably.

Revenue shall be recognised in the income statement, and prior to that in books of account, when an increase in future economic benefits related to an increase in an asset or a decrease in a debt has arisen that can be measured reliably.

Expenses are recognised in the income statement and prior to that in books of account, when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognised as costs within an item that has generated revenue during the accounting period (for example, within the costs of goods sold), and as costs incurred in the same accounting period that are not included in the value of inventories (for example, selling costs or general and administrative costs). Expenses shall be also recognised, when no future economic benefits can be expected from an item that could be recognized as an asset, or when future economic benefits related to it do not (or not any longer) satisfy the criteria used for the recognition of assets. Expenses are also recognised, when a debt is incurred without a corresponding increase in an asset, for example, when a debt or provision is incurred.

Receipts are increases in cash, while disbursements are their decreases. Both cash receipts and disbursements are included in the cash flow statement, when it is prepared on the basis of the direct method, and prior to that in books of account too. They may be classified as cash receipts or cash payments associated with operating, financing, and investing activities. However, when the indirect method is used to prepare the cash flow statement, it presents inflows and outflows as calculated categories which indicate their impacts on changes in cash items.

3 The Measurement of Economic Categories in Financial Statements and Books of Account

Measurement is the process of determining the monetary amounts (values) at which economic categories are recognized in financial statements, and prior to that in books of account. During both the initial recording of specific events in books of account, as well as during the preparation of financial statements and corrections made in the initial measurements, this involves the selection of a particular basis of measurement.

The carrying amount of a category is the value stated in books of account as well as in financial statements. It can be defined in various ways; when separate allowance accounts or accounts show additions to or deductions from the value in the main account, the carrying amount is considered to be the offset value of the economic category stated in both accounts. An example may be *the carrying amount* of an asset, which is the difference between its total value recorded in one account and its written off value recorded in another account consisting of, for example, accumulated depreciation write-downs or accumulated impairment losses; in case of financial assets and financial liabilities an example may be the *amortised cost*, that is the initial recognised amount, reduced by the repayment of principal, and increased or decreased (using the effective interest method) for the accumulated cost of the difference between the initial and the due amount, and reduced due to impairment or uncollectability.

In general terms, the following measurement bases may be employed for **assets**:

Historical cost is the amount of the assets acquired from the owners or lenders plus the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire the assets at the time of their acquisition. Cost is the term used when referring to all the assets of a given class, while price is used when reference is made to a unit of quantity. Historical costs of materials, merchandise or purchased services are referred to as their *cost* and *cost of purchase* is used in reference to the when a unit of quantity is referred to*; the cost* includes in addition to the purchase price that is to be paid to a supplier of an asset, also import duties and other non-refundable purchase taxes, and delivery and other directly attributable costs of acquisition, which means that the cost of purchase is to be distinguished from the purchase price, and the acquisition value from the purchase value. In reference to property, plant and equipment as well as intangible assets the term cost of purchase is also used for a unit of quantity. With reference to semi-finished products, products and the performed services the historical costs are normally *cost values*, stated as *production costs*, but they can range from *variable production costs* as one possible extreme to the *contracted fu*ll *cost* as the other possible extreme; all these terms may refer either to a unit of quantity or to the entire quantity being moved or held in inventories. Given the fact that historical costs of the items entering inventories are different at different times, the closing inventory may be presented at *consecutive prices* or *weighted average prices* based on their use. When fixed prices (estimated, standard prices) are used in books of account, *fixed value with variances* is also used to indicate the historical cost of total relevant quantities.

Current cost is the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. The current cost may also be referred to as *replacement cost*; this term better reflects the amount used in the accounting for an identical quantity of an identical item of assets that will replace the old quantity or the old item of assets.

Recoverable amount is the higher of fair value less costs to sell or value in use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In this context, inventories also give rise to the concept of net realisable value, which is the estimated selling price achieved in the ordinary course of business less estimated costs of completion and estimated costs related to the sale.

Present value is the discounted value of the amount of future cash receipts exceeding future disbursements, or the discounted value of future net receipts expected to be derived from a particular asset or assets in the ordinary course of the organisation's business. The same is true of the *value in use* which is the present value of the estimated amount of the future cash receipts exceeding the future disbursements that the asset is expected to generate or incur during its further use and on its disposal at the end of its useful life. Often value in use cannot be identified for each individual item of assets, but only for a cash-generating unit, that is for the smallest identifiable class of assets whose continued use is the source of receipts, mostly independent of the receipts generated by other assets or classes of assets. When value in use is applied to identify the *recoverable amount*, it also makes part of the concept of present value.

The following measuring bases may be employed for **liabilities**:

Historical cost is the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes) the amount of cash or cash equivalents that the organisation expects to be required to pay to settle the liabilities in the ordinary course of business.

Current cost is the undiscounted amount of cash or cash equivalents that would be required to settle the liabilities currently.

Amortised cost is the initial recognised value reduced by the repayment of principal, and increased or reduced (using the effective interest method) by the accumulated cost of the difference between the initial and the due amount.

Present value is the discounted amount of future net disbursements that are expected to be required to settle the liabilities in the ordinary course of business.

The following measuring bases may be employed for **equity**:

Historical cost is the minimum issue amount of the invested capital paid in by the owners or the equity that was subsequently generated in the course of business and not yet withdrawn by the owners of the organisation.

Market value is the amount of cash or cash equivalents that could be generated on sale of the shares of the organisation at the value quoted on the stock exchange or on transfer of the title, either in parts or in total. This type of value shall not be recognized in books of account.

4 The Revaluation of Economic Categories in Financial Statements and Books of Account

Revaluation is the change of initially stated value of economic categories as a result of changes in prices.

Prices change as the result of various specific and general economic and social developments. The specific developments, such as changes in supply and demand and technological changes, may cause individual prices to increase or decrease significantly.

Revaluation which results from the difference between the carrying amount and fair value if the organisation applies the revaluation model or values assets at fair value, shall be carried out at the end of or during the financial year because of
(a) increases in the carrying amount due to the revaluation or valuation of assets at fair value, or
(b) decreases in the carrying amount to fair value.

In the first case there is an increase in the expected future economic benefits flowing from the assets, while in the second case there is a decrease in the expected future economic benefits derived from the assets, without any other changes of the assets resulting from either acquisition or disposal of the investment. In the first case, the increase in the value of the assets is accompanied by a transitional increase in the revaluation reserve or fair value reserve, or, if specified in the particular SAS, by the recognition of revenue. In the second case, the decrease in the value of the assets is accompanied by an increase in revaluation operating expenses or revaluation financial expenses, unless the same assets have previously been subject to revaluation reserves that can be reduced by a simultaneous decrease in the value of the corresponding assets, or a reduction in, or the establishment of negative, fair value reserve. The revaluation surplus or reserves arising from fair value measurements has the character of value adjustments of the relevant economic categories recorded in the main account.
The first case, that is the increase in the carrying amount due to the revaluation to fair value, shall occur when reliable information is available that provides for an increase in the carrying amount of:

– land,
– buildings,

– investment property,
– financial assets.

In these cases, the carrying amounts of these items, as well as the revaluation surplus account and the relevant balance sheet item or fair value reserves, are increased, or, if specified in the individual SAS, the relevant revenue is recognised. In the case of a decrease in the fair value of the same assets, however, the decrease in their carrying amount shall first be charged to the profit or loss against any previously established reserves for the asset and, if there are no or insufficient reserves, to the profit or loss of a possible revaluation surplus. An asset is impaired when its carrying amount exceeds its recoverable amount. When it is necessary to reduce the carrying amount of the asset, such reduction is an impairment loss. It equals the amount by which the carrying amount of the asset exceeds its recoverable amount. Such a loss arises in revaluation operating expenses and revaluation financial expenses, respectively, unless revaluation reserves or reserves arising from fair value measurements are previously established on the same assets to allow for its settlement. The individual general SASs deal with the details of the relevant economic categories in relation to their revaluation.

5 Changes in Accounting Estimates, Changes in Accounting Policies and Correction of Errors

A change in accounting estimate is an adjustment of the carrying amount of assets or liabilities that results from the assessment of the present status of and expected future benefits and obligations associated with assets and liabilities. It is based on new information or new developments and, accordingly, is not a correction of errors or a change in accounting policies. Estimation involves judgements based on the latest information, for example, with regard to the required impairment of receivables and inventories, the fair value of financial assets and financial liabilities, the useful lives of depreciable assets and the pattern of consumption of the future economic benefits of depreciable assets, with regard to warranty obligations and so forth. The effect of changes in accounting estimates applies to future periods, and it may affect either the period in which the accounting estimate was changed, or the future periods as well.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an organisation in preparing financial statements. They shall be changed if so required by the Slovenian Accounting Standards and Institute's Positions on or Interpretations of the Standards. In that case, the organisation shall account for a change in accounting policy resulting from the initial application of a Standard, Position or Interpretation in accordance with the specific transitional provisions in that Standard, Position or Interpretation; if no specific transitional provisions are included, the change shall be applied retrospectively (as if that policy had always been applied). An organisation also may change its accounting policies on its own due to new information or new developments, so that its financial statements contain more reliable and appropriate information on its operations. In such case too, the organisation shall apply the new policy retrospectively (as if it had always been applied). When accounting policies are applied retrospectively, the comparative amounts of the category for which the accounting policy is being changed and any components of equity (usually profit or loss) are restated for the comparative prior period presented as if the new accounting policy had been applied from the very beginning. When it is impracticable for an organisation to apply a new accounting policy retrospectively (as if it had always been applied), the organisation shall disclose this fact (together with the reasons for it, and the manner of application of the new policy) and apply the new accounting policy prospectively from the beginning of the earliest period practicable.

Errors can arise in respect of the recognition, measurement, presentation and/or disclosure of elements of financial statements. Errors are omissions of items and/or misstatements in financial statements for prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. An organisation shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery. Errors are to be corrected by restating the comparative amounts of assets, liabilities and all affected components of equity presented in the prior period. Prior period errors shall be corrected by restatement retrospectively (as if they would have never occurred in the prior period), except when this is impracticable, in which case this fact has to be disclosed. The effect of corrections of material errors from prior periods is excluded from the profit or loss for the period in which the error is identified, and corrections of errors below the materiality threshold have an effect on current profit or loss.

6 Business Combinations

A business combination (merger) is a transaction or any other business event in which the acquirer obtains control of one or more acquirees. An acquiree is a related set of activities and assets that may be managed and operated for the purpose of providing return in the form of dividends or profit-sharing, lower costs or other economic benefits directly to the investor or to other owners or participants. The acquiree may or may not be a legal person.

An acquirer controls an acquiree if it is exposed to a variable return from the acquiree or has rights to a variable return from its interest in the acquiree and is able to affect the return through the influence it has over the acquiree. An acquirer has influence over an acquiree if, by virtue of existing rights, it is able to direct the significant activities of the acquiree, i.e. activities that significantly affect the acquiree's return. The impact on the acquiree may arise directly and exclusively from voting rights based on equity instruments such as shares, and may be measurable by reference to the voting rights attached to those shares, or may arise from one or more contractual arrangements.
The acquirer may obtain control of the acquiree in a number of ways, for example:
(a) by transferring cash, cash equivalents or other assets (including net assets relating to the acquiree);
(b) by assuming liabilities;
(c) by issuing equity interests;
(d) by providing more than one type of compensation;
(e) without transferring the compensation, solely on the basis of a contract.

The acquirer shall account for the business combination using the acquisition method. The application of the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, liabilities assumed and the non-controlling interest in the acquiree; and
(d) recognising and measuring goodwill or gain from a bargain purchase.

For each business combination, one of the organisations involved in the combination shall be designated as the acquirer. The acquirer shall designate the acquisition date, that is, the date on which it obtains control of the acquiree. At the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and the non-controlling interest in the acquiree. To qualify for recognition as part of the conditions for applying the acquisition method, the identifiable assets acquired and liabilities assumed shall meet the definition of assets and liabilities at the acquisition date. To qualify for recognition as part of the conditions for applying the acquisition method, the identifiable assets acquired and liabilities assumed shall be part of those assets exchanged between the acquirer and the acquiree (or its former owners) in the business combination and not the result of a separate transaction. At the acquisition date, the acquirer shall classify or determine the identifiable assets acquired and liabilities assumed in accordance with the requirements of the individual SASs. The acquirer shall measure the identifiable assets acquired and liabilities assumed at fair value at the acquisition date, except for employee benefits. Acquired non-current assets held for sale shall be recognised at fair value less selling costs. Contingent liabilities assumed in a business combination are also recognised even if it is not probable that an outflow of resources embodying economic benefits and indemnification assets will be required to settle the obligation. For each business combination, the acquirer shall measure the non-controlling interest in the acquiree either at fair value or at the acquirer's proportionate share of the fair value of the acquiree's identifiable net assets.

The acquirer shall recognise goodwill at the acquisition date as the excess of (a) over (b):
(a) the aggregate of:

- the consideration transferred for the acquire, usually measured at fair value at the acquisition date,
- the amount of the non-controlling interest in the acquiree; and
- in a business combination achieved in stages, the fair value at the acquisition date of the acquirer's previous equity interest in the acquiree;

(b) the net amount of the identifiable assets acquired and liabilities assumed in the acquisition of the acquire at the acquisition date.

If the excess of (b) is over (a), it shall be recognised as excess (income) in profit or loss.

In a business combination in which the acquirer and the acquiree (or the acquiree's former owners) exchange(s) only equity interests, the fair value of the equity interests of the acquiree at the acquisition date may be more reliably measurable than the fair value of the acquirer's equity interests at the acquisition date. If so, the acquirer shall determine the amount of goodwill and use the fair value of the equity interests in the acquiree at the acquisition date instead of the fair value of the equity interests in the acquiree at the acquisition date. In determining goodwill in a business combination in which there is no consideration transferred, the acquirer shall use the fair value of the acquirer's equity interests in the acquiree at the acquisition date, determined using a valuation technique, and instead of the fair value of the consideration transferred at the acquisition date.

If the initial accounting for the business combination was incomplete at the end of the reporting period in which the combination occurred, the acquirer shall disclose in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date on the basis of new information about facts and circumstances that existed at the acquisition date that, if known, would have affected the measurement of the amounts recognised at that date. The acquirer shall also recognise additional assets or liabilities in the measurement period if it obtains new information about facts and circumstances that existed at the acquisition date that, if known, would affect the measurement of the amounts recognised at that date. The measurement period ends as soon as the acquirer receives the information it was seeking about the facts and circumstances that existed at the acquisition date or becomes aware that no further information can be obtained. The final measurement shall be made no later than one year after the acquisition date.

The acquirer and the e may have had a relationship or other arrangement before the business combination was negotiated, or may have entered into an arrangement during the negotiations that is separate from the business combination. In either case, the acquirer shall identify all amounts that are not part of those exchanged between the acquirer and the acquiree (or its former owners) in the business combination, i.e. amounts that are not part of the exchanges for the acquiree. The acquirer recognises, as part of the conditions for applying the acquisition method, only the consideration for the acquiree and the assets acquired and liabilities assumed. Separate transactions shall be accounted for in accordance with the relevant SASs. A transaction entered into by or on behalf of the acquirer primarily for the benefit of the acquirer or the combined organisation, rather than primarily for the benefit of the acquiree (or its former owners) before the combination, is likely to be a separate transaction. Examples of separate transactions that may not be part of the conditions for applying the acquisition method are:

(a) a transaction related to a pre-existing relationship between the acquirer and the acquiree;

(b) a transaction that rewards employees or former owners of the acquiree for future services;

(c) a transaction that is a reimbursement of the acquirer's payment of acquisition-related expenses given to the acquiree or its former owner.

Acquisition-related costs are costs incurred by the acquirer in completing the business combination. These costs include the finder’s fees; advisory, legal, accounting, valuation and other professional or consulting fees, and general administrative expenses; and the costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-related costs as an expense in the periods in which the costs are incurred and the services are rendered, except for the costs of issuing debt and equity securities, which shall be accounted for in accordance with SAS 3.

Organisations that qualify as micro companies may also account for the business combination using the carrying amount method for the assets and liabilities of the acquiree. In a business combination accounted for using the carrying amounts of the assets and liabilities of the acquiree, the acquirer recognises all identifiable assets acquired at their carrying amounts at the acquisition date. The difference is accounted for in the same way as under the acquisition method, i.e. the acquirer recognises goodwill at the acquisition date as the excess of (a) over (b):

(a) the aggregate of:

- the consideration transferred for the acquiree, usually measured at fair value at the acquisition date,
- the amount of the acquirer's non-controlling interest in the acquiree,
- in a business combination achieved in stages, the fair value at the acquisition date of the acquirer's previous equity interest in the acquiree;

(b) the net amount at the acquisition date of the identifiable assets acquired and liabilities assumed in the acquisition of the acquiree.

If the excess of (b) is over (a), it shall be recognised as income (excess) in profit or loss.

Business combinations with jointly controlled organisations are accounted for using the carrying amounts of the assets and liabilities of the acquiree. The acquirer recognises the excess of (b) over (a), as defined above, as an increase in capital reserves and the excess of (a) over (b) as a decrease in retained earnings or an increase in the net retained loss from previous years. A business combination involving organisations under joint management is a business combination in which all the combining organisations are ultimately controlled by the one and same party or parties both before and after the business combination, and that management is not transitory.

7 Deferred Tax Assets and Liabilities

The accounting treatment of deferred tax assets and liabilities is the result of accounting for the current and future tax consequences of:

(a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in the organisation's balance sheet;

(b) transactions and other events of the current period recognised in the organisation's financial statements.

Micro companies and organisations that are not companies and are not subject to statutory audit may elect not to account for deferred tax assets and deferred tax liabilities. Other organisations are not required to account for deferred tax assets and liabilities if the amounts of deferred tax liabilities and deferred tax assets are individually or collectively immaterial to the organisation. If it is probable that a recovery or settlement of the carrying amount of an asset (liability) will result in a higher (lower) future tax payments than would be the case if the recovery or settlement had no tax consequences, the organisation recognises a deferred tax liability (deferred tax asset), with certain exceptions.

An organisation accounts for deferred tax using the balance sheet liability method, which focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributable to that asset or liability in the tax account.

The tax base of an asset is the amount that is deducted in the tax account from any taxable economic benefit that flows to the organisation when it recovers the carrying amount of the asset. If the economic benefit is not taxable, the tax base of the asset equals its carrying amount.

The tax base of a liability is its carrying amount less the amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of deferred income, the tax base of the resulting liability is its carrying amount less the amount of income that will not be taxable in future periods.

(a) Temporary differences may be: (a) taxable temporary differences, i.e. temporary differences that result in amounts being added to determine taxable profit (tax loss) in future periods when the carrying amount of an asset is recovered or the carrying amount of a liability is settled; or

(b) deductible temporary differences, that is, temporary differences that result in amounts being deducted in determining taxable profit (tax loss) in future periods when the carrying amount of the asset is recovered or the carrying amount of the liability is settled.

The consequences of taxable temporary differences are reflected in deferred tax liabilities, which are the amounts of income taxes that will be payable in future periods in respect of taxable temporary differences.

The effects of deductible temporary differences are reflected in deferred tax assets, which are the amounts of income taxes that will be recovered in future periods in respect of:
(a) deductible temporary differences;
(b) the carryforward of unused tax losses;
(c) the carryforward of unused tax credits.

An organisation accounts for the tax consequences of transactions and other events in the same way as it accounts for the transactions themselves and other events. Thus, all deferred tax assets and deferred tax liabilities associated with transactions and other events recognised in profit or loss are also recognised in profit or loss as tax expense or tax income, respectively. All deferred tax assets and deferred tax liabilities associated with transactions and other events recognised directly in equity are also recognised directly in equity (for example, deferred tax liabilities when assets are revalued and there is no corresponding adjustment in the tax account). The recognition of deferred tax assets and deferred tax liabilities in a business combination similarly affects the amount of goodwill arising in that business combination.

A deferred tax liability is recognised for all taxable temporary differences unless they arise from:
(a) the initial recognition of goodwill; or
(b) the initial recognition of an asset or liability in a transaction that:
- is not a business combination;
- affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction.

In the case of a business combination, temporary differences arise if the business combination has no effect on the tax bases of the identifiable assets acquired and liabilities assumed or a different effect. For example, if the carrying amount of an asset increases to fair value but the tax base of the asset remains the same as the carrying amount with the previous owner, a taxable temporary difference arises that results in a deferred tax liability. The resulting deferred tax liability affects goodwill initially recognised in the business combination.

If, in accordance with tax regulations, the revaluation of an asset to its fair value does not affect taxable profit in the period of the revaluation and does not result in an adjustment to the tax base of the asset, the future recovery of the carrying amount will result in a taxable flow of economic benefits to the organisation and the amount deductible for tax purposes will be different from the amount of those economic benefits. Therefore, the difference between the carrying amount of the revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset. This is true even if:
(a) the organisation does not intend to derecognise the asset. In such cases, the revalued amount of the asset is recovered through use, resulting in a taxable profit in excess of the depreciation allowable for tax purposes in future periods; or
(b) income tax on the sale of a fixed asset is deferred and the proceeds from the disposal of the asset are invested in similar assets. In such cases, the tax is ultimately payable on the sale or use of the similar assets.

An organisation also recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, unless both of the following conditions are met:
(a) the organisation is able to control the timing of the reversal of the temporary difference;
(b) it is probable that the temporary difference will not be reversed in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:
(a) is not a business combination;
(b) affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction.

It is probable that taxable profit will be available against which a deductible temporary difference can be utilised if sufficient taxable temporary differences relating to the same taxing authority and the same taxable entity are expected to reverse:
(a) in the same period as the expected reversal of the deductible temporary differences; or
(b) in periods in which tax losses arising from deferred tax assets can be carried back or carried forward.

In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary difference arises.

An organisation recognises a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates and interests in joint arrangements if it is probable that:
(a) the temporary differences will be reversed in the foreseeable future;
(b) taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits to a subsequent period if it is probable that in the future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as those for recognising deferred tax assets arising from deductible temporary differences. However, the existence of unused tax losses is strong evidence that future taxable profits may not be available. Therefore, an organisation that has recently incurred a loss recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that it has sufficient taxable temporary differences or there is persuasive evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised. In such circumstances, disclosure of the amount of the deferred tax asset and the nature of the evidence supporting such recognition is required.

In assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, an organisation considers the following criteria:

(a) whether it has sufficient taxable temporary differences relating to the same taxing authority and the same taxable entity that will result in a taxable amount available to offset unused tax losses or unused tax credits before they become due;

(b) whether it is likely to have taxable profits before the unused tax losses or unused tax credits become due;

(c) whether the unused tax losses arise from identifiable reasons that are unlikely to recur.

If it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, no deferred tax asset shall be recognised.

At the end of each reporting period, an organisation reassesses unrecognised deferred tax assets and recognises a previously unrecognised tax asset if it is probable that future profits will allow the deferred tax asset to be offset.

Deferred tax liabilities (deferred tax assets) for the current period and prior periods are measured at the amount expected to be paid to (or recovered from) the tax authorities at the tax rates that are expected to apply in the period when the deferred tax asset is realised or the deferred tax liability is settled. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that arise from the manner in which the organisation expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

When the carrying amount of deferred tax assets and deferred tax liabilities changes, for example, as a result of:

(a) a change in tax rates or tax laws;

(b) a reassessment of the recoverability of deferred tax assets;

(c) a change in the expected manner of recovery of an asset;

the resulting deferred tax shall be recognised in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

8 Joint Arrangements

A joint arrangement is a contractual agreement controlled by two or more parties. Joint control is the contractually agreed sharing of control of an arrangement that exists only when decisions about activities that significantly affect the returns require the consent of the parties sharing control. A joint arrangement is never controlled by only one party. However, an arrangement may be a joint arrangement even though it is not jointly controlled by all its parties. A distinction should be made between parties with joint control of a joint arrangement and parties who participate in a joint arrangement but do not control it jointly. Parties may participate in a joint arrangement but not control it jointly where their consent is not required for decision-making.

A joint arrangement may be

(a) a joint operation or

(b) a joint venture.

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Those parties are called joint operators. A joint arrangement that is not structured (organised) through a separate vehicle can only be a joint operation. A separate vehicle is a separately identifiable financial structure, including separate legal entities or organisations recognised by statute, regardless of whether these organisations have legal personality.

A joint operator shall recognise in its financial statements, in relation to its interest in a joint operation:
(a) its assets, including its share of any assets held jointly;
(b) its liabilities, including its share of any liabilities incurred jointly;
(c) its revenue from the sale of its share of the output arising from the joint operation;
(d) its share of the revenue from the sale of the output of the joint operation; and
(e) its expenses, including its share of any expenses incurred jointly.

A party that participates in, but does not jointly control of, a joint operation shall also account for its interest in the arrangement in accordance with the preceding paragraph if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

A joint venture is a joint arrangement in which the parties who jointly control the arrangement have rights to the net assets of the arrangement. Those parties are referred to as joint venturers. Joint ventures are characterised by the creation of a public limited company, a limited liability company, an unlimited liability company or some other organisation in which each joint venturer has its interest. Such an organisation operates in the same way as other organisations, except that the contractual agreement between the venturers provides for joint control of the entire economic operation of such an organisation.

A venturer recognises its interest in a joint venture as an investment. In separate financial statements it is accounted for in accordance with SAS 3 Investments.

9 Group Organisations

A group of organisations is an economic entity, but not a legal entity, and does not have rights and obligations in its own right. In the consolidated (group) financial statements, the group is presented as if it were a single organisation. The consolidated financial statements are prepared on the basis of the separate financial statements of the consolidated organisations, with appropriate consolidation adjustments, but are not subject to posting in the books of account of the consolidated organisations.

The group comprises:
(a) a controlling / parent organisation;
(b) organisations dependent on it for a majority of their equity interests;
(c) organisations dependent on it for prevailing influence for other reasons.

A subsidiary is an organisation that is controlled by another controlling organisation.

An associate is an organisation in which the investee has a significant interest that is neither a subsidiary nor a joint arrangement of the investor. If the investee has, directly or indirectly through

subsidiary undertakings, 20% or more of the voting power of the investee, it is presumed to have significant influence unless it can be clearly demonstrated that such influence does not have. Conversely, if the organisation - investor has, directly or indirectly through subsidiaries, less than 20% of the voting power in the investee, in which it invests, it is presumed that the organisation does not have significant influence unless such influence can be clearly demonstrated. The existence of significant influence by an organisation is usually evidenced in one or more of the following ways:
(a) representation on the board of directors or equivalent decision-making body of the investee;
(b) participation in decision-making;
(c) material transactions between the investor and the investee;
(d) interchange of management personnel; and/or
(e) the provision of essential professional information.

Relationships between subsidiaries, associates and other organisations shall be disclosed separately in the separate financial statements.

The SASs do not govern the accounting rules for consolidation. Organisations that are legally required to prepare consolidated financial statements shall prepare them on the basis of International Financial Reporting Standards.

However, the accounting rules for consolidation are also governed by PAR 10 - Consolidation.

10 Describing Compliance with the Slovenian Accounting Standards in Financial Statements

Organisations that are required to apply SASs are required to disclose this. Their financial statements are not described as compliant unless they comply with all the requirements of all relevant standards and all relevant interpretations. Financial statements are not in accordance with SASs if they contain material misstatements or immaterial errors made in order to achieve a selected representation of operations.

11 Transitional Provisions

As at the date of transition to SASs (2016), i.e. 1 January 2016 or the first day of the financial year beginning after that date, the organization shall reclassify items of assets and liabilities and, if so required by the particular SASs, and change the accounting policy in accordance with the SASs 2016.

An organisation shall, as at 1 January 2016 or the first day of the financial year beginning after that date:
- in all those cases in which it has not transferred a part of the revaluation surplus arising from the difference between the depreciation of the revalued cost of the equipment and its original cost, transfer the difference from the revaluation surplus to profit or loss by the date of application of the SASs 2016;
- restate equipment for which it has applied the revaluation model at its historical cost and reverse the related revaluation surplus and reverse the valuation allowance on that equipment by the difference;

- make the same restatements as in the preceding two indents for equipment if, on the date of application of SASs 2016, it changes its accounting policy for property, plant and equipment that has been measured using the revaluation model to the cost model;
- restate intangible assets for which it has applied the revaluation model to their historical cost in the same way as it the first two indents for equipment;
- restate investments in subsidiaries, associates and joint ventures measured at fair value and which are under SAS 3 - Investments (2016) measured and accounted for at cost only, to their historical cost. For the amount of the restatement, the organisation simultaneously reverses the revaluation surplus on those investments;
- determine after any adjustments previously made as described in this paragraph of the Introduction to the 2016 SASs the remaining amount of the revaluation surplus relating to property, plant and equipment. For the amount determined in this way the organisation shall reduce the revaluation surplus and recognise a revaluation reserve;
- redesignate the amount remaining in the revaluation surplus after all adjustments have been made to the revaluation reserve as the fair value reserve.

An organisation shall, as at 1 January 2016, or the first day of the financial year beginning after that date, recognise as property in course of construction or in production the amount of property constructed or developed for future use as investment property that was accounted for as property, plant and equipment in course of construction in accordance with the 2006 SASs.

As at 1 January 2016 or on the first day of the financial year beginning after that date, sole proprietors shall record the amount receivable due from the sole proprietor charged against the sole proprietor's equity under inflows and outflows of cash.

An organisation shall not, as at 1 January 2016 or the first day of the financial year beginning after that date, restate business combinations that were recognised in the books of account up to and including 31 December 2015 or the last day of the financial year before the date of application of the 2016 SASs.

Organisations that are companies shall, for the first reporting under the 2016 SASs, present information for the comparative period without restatement, except for those relating to the items referred to in the second paragraph of this item. They shall present the information for the comparative period in the appropriate financial statement items.

Organisations other than companies and shall for the financial year beginning on 1 January 2016 or the first day of the financial year thereafter, prepare financial statements under the 2016 SASs and restate and present the information for comparable period in in their financial statements.

Organisations shall disclose the effects of the transition to the 2016 SASs when first reporting under the 2016 SASs.

12 Date of Adoption and Effective Date of Application

The Introduction to the Slovenian Accounting Standards and the SAS Framework have been adopted by the Council of Experts of the Slovenian Institute of Auditors at its meeting on 22 October 2015. The Minister responsible for finance and the Minister responsible for the economy gave their consent to them. Organisations with a financial year equal to the calendar year shall start applying them as at 1

January 2016, while the remaining organisations shall apply them the first financial year after that date.

Organisations shall cease to apply the Introd

uction to the Slovenian Accounting Standards (2006) and Interpretations of the Introduction to the Slovenian Accounting Standards as of the date of application of this Introduction and the SAS Framework.

Slovenian Accounting Standard 1 (2016)

PROPERTY, PLANT AND EQUIPMENT

A Introduction

This Standard applies to the bookkeeping, accounting for and disclosure of land, buildings, plant and equipment and other items of property, plant and equipment (i.e. of tangible fixed assets). It deals with:

(a) the classification of property, plant and equipment;
(b) the recognition and derecognition of property, plant and equipment;
(c) the initial measurement of property, plant and equipment;
(d) the revaluation of property, plant and equipment; and
(e) the disclosure of property, plant and equipment.

This Standard primarily relates to the Slovenian Accounting Standards (SAS) 2, 8, 14, 15, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), and the Introduction to the Slovenian Accounting Standards and SAS Framework (2016).

B The Standard

(a) Classification of Property, Plant and Equipment

1.1 An item of property, plant and equipment is an asset that the organisation owns or leases it or otherwise controls it and uses it in the production or supply of goods or services, for rental to others, or for administrative purposes, and is expected to be used during more than one accounting period.

1.2 Tangible fixed assets are land, buildings, manufacturing plant and equipment, other plant and equipment, and biological assets.

1.3 In terms of buildings, plant and equipment, distinction shall be made between items that are being constructed or developed and items that are already ready for use.

1.4 Items leased out under a finance lease as such are not part of or shall not be recognised as property, plant and equipment; they shall rather be recognised as components of long-term financial receivables.

1.5 Advances paid for property, plant and equipment, which are presented in the balance sheet under property, plant and equipment, shall be recorded in the books as receivables.

1.6 Interests in jointly operations of controlled property, plant and equipment shall be treated and accounted for separately; they shall be presented and classified according to the nature of the jointly controlled assets.

(b) Recognition and Derecognition of Property, Plant and Equipment

1.7 An item of property, plant and equipment shall be recognised as an asset in the books of account and in the balance sheet if:

(a) it is probable that the future economic benefits that are associated with the item will flow to the organisation; and
(b) the cost of the item can be measured reliably.

1.8 If qualitative changes in an item of property, plant and equipment are identified under SAS 1.3, 1.4 or 1.6, they shall also be presented in the books of account.

1.9 An item of property, plant and equipment shall be derecognised in the books of account and in the balance sheet on its disposal or when no future economic benefits are expected from its use or disposal.

(c) Initial Measurement of Property, Plant and Equipment

1.10 An item of property, plant and equipment that qualifies for recognition as an asset shall on initial recognition be measured at its cost.

It comprises its purchase price, including import duties and non-refundable purchase taxes, as well as directly attributable costs to bringing the asset to the condition necessary for the intended use, especially the cost of its delivery and installation, the cost of testing the performance of the asset, and an estimate of the cost of decommissioning, removal and restoration. The cost may also include costs incurred in respect of leases of assets used for the construction, extension, replacement of parts or renewals of property, plant and equipment, for example, depreciation of assets representing the right to use. The non-refundable purchase taxes also include the non-refundable value added tax. Any trade discounts and rebates shall be deducted in arriving at the purchase price. The cost of the asset may also include borrowing costs relating to the acquisition of property, plant and equipment until it is ready for use.

An item of property, plant and equipment acquired by way of donations and government grants shall be measured at cost when acquired. If it is not known, it shall be measured at fair value plus any expenses attributable to the preparation of the asset for its intended use. Grants and government support for the acquisition of property, plant and equipment are not deducted from their cost but are included in deferred revenue and are used in accordance with the depreciation accounted for.

1.11 If the cost of an item of property, plant and equipment is significant, it may be allocated to its individual parts. If such parts have different useful lives and/or consumption pattern, relevant in relation to the total cost of the item, each part shall be treated separately.

1.12 The cost of a self-constructed or developed item of property, plant and equipment comprises the cost of construction or production of the asset and the indirect costs of its construction or production that may be allocated to it. It does not include any costs that cannot be associated with its construction or production, and the costs not recognised by the market, yet it may include the borrowing costs for the construction or production of the asset and the cost necessary to bring the asset to its working condition. The cost of such an item of property, plant and equipment may not exceed the cost under SAS 1.10.

1.13 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, whereby the monetary part is insignificant in relation to the total cost, is measured at fair value of the acquired item of property, plant and equipment unless:
(a) the exchange transaction lacks commercial substance; or
(b) the fair value of neither the asset received nor the asset given up is reliably measurable.

An exchange transaction has commercial substance if
(a) the configuration (risk, timing and amount) of cash flows of the asset received differs from the configuration of cash flows of the asset transferred; or

(b) the organisation-specific value of the portion of the organisation's operations affected by the transaction changes as a result of the exchange; and

(c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the value the organisation-specific value of the portion of the organisation's operations affected by the transaction shall reflect post-tax cash flows.

If the asset received in exchange is not measured at fair value, its cost is measured at the carrying amount of the asset given.

1.14 Investments in foreign-owned property, plant and equipment shall be recorded in the books of account of the investor as separately identifiable property, plant and equipment or as parts of property, plant and equipment if the conditions set out in SAS 1.1 are met.

1.15 Costs incurred in connection with an item of property, plant and equipment after initial recognition of the asset increase its cost if the conditions of SAS 1.7 are met, except as specified in SAS 1.16.

1.16 Expenditure on repairs or maintenance of property, plant and equipment is made to restore or maintain the future economic benefits expected on the basis of the originally assessed level of performance of the assets. As such, it is usually recognised as a costs or operating expenses.

The estimated amounts of expenditure for regular inspections or repairs of property, plant and equipment are measured as parts of property, plant and equipment.

1.17 In the books of account an item of property, plant and equipment shall be carried separately at its cost or at the revalued amount, while any accumulated depreciation and any accumulated impairment losses shall be recorded separately; in the balance sheet, however, only the carrying amount is shown, that is the amount at which the asset is recognised after the deduction of any accumulated depreciation amounts and any accumulated impairment losses.

1.18 At the beginning of depreciation, the method of depreciating property, plant and equipment and the annual depreciation rates shall be determined.

1.19 The depreciation method chosen shall be applied consistently from one accounting period to the next. The depreciation method applied shall be assessed at least at the end of each financial year and, if the expected pattern of future economic benefits expected to be derived from the depreciable asset changes significantly, the method of depreciation shall be changed so that it reflects the changed pattern. Such a change is treated as a change in an accounting estimate.

1.20 A variety of depreciation methods can be used to consistently allocate the depreciable amount of an asset on a systematic basis over its useful life, such as: the straight-line method, the diminishing balance method and the units of production method. The depreciation method applied shall reflect the expected pattern of consumption of the future economic benefits embodied in the asset. If the pattern cannot be determined reliably, the straight-line depreciation method shall be used. The residual value of the asset is usually recognised for significant items only and in such cases the costs of retirement of an item of property, plant and equipment shall also be recognised. If the costs of retirement exceed the estimated residual value of the asset, such residual value shall no longer be considered in the depreciation. The residual value shall be reviewed at least at each financial year-end. The depreciation amount for a period is usually recognised as expenses.

Depreciation expense may be retained in the value of work in progress and products before it is recorded under operating expenses; and affect profit or loss for the period.

1.21 Depreciation expense on property, plant and equipment acquired by government grants or donations shall be accounted for separately; amounts corresponding to the depreciation expenses accounted for shall be transferred from deferred revenue to the operating revenue of each financial year.

1.22 Depreciation of an item of property, plant and equipment begins on the first day of the following month after it has been available for use. An asset is available for use when the asset is in the location and condition in which it will be capable of operating in the manner intended by management.

Depreciation expense is recognised on a consistent allocation basis depreciable amounts of property, plant and equipment on an individual accounting periods in which the economic benefits flow from them.

1.23 The useful life of an item of property, plant and equipment depends on:
(a) expected physical utilisation;
(b) expected technical obsolescence;
(c) expected economic obsolescence;
(d) the expected legal, lease and other restrictions on use. As the useful life of an asset is the useful life that is the shortest of the factors listed above.

1.24 During the year, temporary depreciation expense is accounted for based on the organisation's chosen interim reporting. A final statement of account of depreciation is made when the financial statements are prepared for external reporting.

1.25 In preparing each statement of account of final depreciation, the useful lives of property, plant and equipment of significant items should be checked, the depreciation rates should be restated accordingly if expectations differ materially from estimates. The effect of the restatement is treated as a change in an accounting estimate.

1.26 Depreciation of property, plant and equipment leased under operating leases shall be accounted for in accordance with the provisions of SAS 1.19 to 1.25.

1.27 A lessee shall recognise an item of property, plant and equipment at the commencement of the lease term. It represents the right-of use and a lease liability.
An item of property, plant and equipment acquired under a lease is an integral part of the lessee's property, plant and equipment. Its cost includes:
(a) the amount of the initial measurement of the lease liability;
(b) the lease payments made at the commencement date; or before the commencement of the lease term, less any lease incentives received;
(c) the initial direct costs;
(d) an estimate of the costs that the lessee will incur in dismantling or removing the leased asset, restoring the site at which the leased asset is located, or to restore the leased asset to the condition as required in the terms of lease, unless those costs are incurred in the production of inventories.

At the commencement of the lease term, the lessee shall measure the lease liability at the present value of the lease payments outstanding at that date. In calculating the present value of the lease the discount rate associated with the lease is the interest rate, if determinable, otherwise the assumed borrowing rate payable by the lessee. Leases included in the measurement of lease liabilities that are not paid comprise, at the commencement of the lease term, the following payments of the right-of-use the leased asset during the lease term:

(a) fixed lease payments, less amounts receivable for lease incentives;
(b) variable rentals that are index- or rate-linked and are initially measured by the index or rate in effect at the commencement of the lease term;
(c) amounts expected to be paid by the lessee on the basis of residual value guarantees;
(d) the exercise price of a call option if it is reasonably certain that the lessee will exercise the option; and
(e) the payment of a lease termination penalty if the lease term indicates that the lessee will exercise the option to terminate the lease.

At the time of contract conclusion, the organization assesses whether the contract is a lease or contains a lease. The contract is a lease contract or contains a lease if the right to control the use of an identified asset for a specified period is transferred with it in exchange for consideration. In doing so, an organisation accounts for each lease component in the contract as lease separately from the non-lease components of the contract, unless it decides for practical reasons, to account for all components as a single lease component. In assessing whether a particular the right-of-use an identified asset for a specified period is transferred by the contract, the organisation assesses whether the customer has in the entire period of use also:

(a) the right to obtain all significant economic benefits from the use of the identified asset; and
(b) the right to direct the use of the identified asset.

If a customer has the right to control the use of an identified asset for only part of the term of the contract, the contract contains a lease for that part of the term of the contract.

An asset is normally regarded as identified if it is specifically identified in the contract. However, it may also be identified by being implicitly designated when the customer obtains its use. The customer does not have a right to use an identified asset if the supplier has a material right to replace the asset throughout the period of use, which means that the supplier has an ability to replace the alternative assets throughout the period of use and would also derive an economic benefit from doing so.

The customer has the right to direct the use of the identified asset over the entire period only if:

(a) it has the right to direct, throughout the period of use, the manner in which and the purpose for which the asset is to be used; or
(b) decisions about the manner and purpose of using the asset are relevant and determined in advance;

and:

- the customer has the right to direct throughout the period of use the asset without the supplier having the right to change the operating instructions; or
- the customer has designed the asset so that the design predetermines the manner and purpose of use of the asset throughout the period of use.

An organisation defines the lease term as the period during which the lease cannot be terminated, together with:
(a) the period for which the lease is renewable, if it is reasonably certain that the lessee will exercise that option; and
(b) the period for which the option to terminate the lease is exercisable, if it is reasonably certain that the lessee will not exercise that option.

1.28 Leased property, plant and equipment is recorded separately from other property, plant and equipment of the same type.

The depreciation of leased property, plant and equipment shall be consistent with the depreciation of other similar property, plant and equipment the same as other similar assets. If there is no reasonable assurance that the lessee will take ownership by the end of the lease term, such property, plant and equipment shall be fully depreciated either over the term of the lease or over the period of its useful life, whichever is shorter. The depreciation expense for leased property, plant and equipment shall be accounted for separately.

1.29 Property, plant and equipment that are not permanently used, although they are still useful, are measured at the lower of their carrying amount or fair value, less costs to sell.

1.30 The difference between the net realisable value on disposal and the carrying amount of an item of property, plant and equipment disposed of is transferred to revaluation operating revenue if the net realisable value on disposal is higher than the carrying amount, or to revaluation operating expenses if the carrying amount is higher than the net realisable value at the time of disposal.

Disposal of an item of property, plant and equipment is possible in a number of ways (e.g. by sale, finance lease or donation). The date of disposal of an item of property, plant and equipment is the date when the recipient obtains the right to control that asset in accordance with the requirements of SAS 15 for determining when a performance obligation has been met.

1.31 For measuring after recognition of an item of property, plant and equipment the organisation shall choose either the cost model or the revaluation model as its accounting policy. The organisation shall apply the chosen policy to the entire class of property, plant and equipment. The revaluation model may be chosen only for the revaluation of land and buildings.

Under the cost model, an item of property, plant and equipment shall be stated at cost less accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability in (c) in the next paragraph.

After the commencement of the lease term, the lessee shall measure the lease liability by:
(a) increasing the carrying amount to reflect the interest on the lease liability;
(b) reducing the carrying amount to reflect the lease payments made; and
(c) remeasuring the carrying amount, which shall reflect the re-estimates or changes in lease payments or changes in the substance of fixed lease payments. The lessee shall remeasure the lease liability by discounting the modified lease payments using the modified discount rate if the lease term has changed or the assessment of the lease asset's purchase option has changed. In this case the lessee shall determine the changed discount rate as the interest rate adopted in the lease for the remainder of the lease term. The lessee remeasures the lease liability by discounting the changed lease payments

if the amounts expected to be paid under the residual value guarantee or changes in future rental payments because of a change in an index or rate, where the lessee applies an unchanged discount rate, except that if the change in the lease is due to a change in variable interest rates.

A lessee shall account for a change in lease as a separate lease if the modification increases the scope of the lease by adding the right to use one or more assets, and if the lease consideration increases by an amount proportional to the stand-alone price of the increase in scope and appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. In the case of a change to a lease that is not accounted for as a separate lease, the lessee remeasures the lease liability by reducing the carrying amount of the asset representing the right-of-use by lease modifications that reduce the extent of the lease, so that it reflects a partial or complete termination of the lease, in which case the termination shall be recognised in the income statement, and the value of the asset representing the right-of-use is adjusted in accordance with any other changes in the lease.

(d) Revaluation of Property, Plant and Equipment

1.32 The revaluation of property, plant and equipment is an adjustment to their carrying amount due to the applied revaluation model, and a decrease in their carrying amount resulting from their impairment.

1.33 After recognition an asset of item of property, plant and equipment whose fair value can be measured reliably, and for the measurement of which after recognition an organisation has chosen the revaluation model considering SAS 1.31, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

1.34 The fair value shall be determined in accordance with SAS 16 – Identification and Measurement of Fair Value.

1.35 When an item of property, plant and equipment is revalued under the revaluation model, the accumulated depreciation shall be eliminated against cost or revalued cost of the asset and the carrying amount is revalued to the new fair value that becomes the new revaluated value from which depreciation is accounted for.

The amount of the restatement related to the elimination of accumulated depreciation and revaluation to a new fair value increases or decreases the carrying amount.

1.36 If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

If the assets that represent the right-of-use are associated with the type of property, plant and equipment for which the lessee uses the revaluation model, the lessee may elect to use that revaluation model to all right-of-use assets that are associated with that class of property, plant and equipment.

1.37 If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised directly in equity as revaluation surplus. However, the increase arising from revaluation shall be recognised under operating revenue in the profit or loss if an impairment loss on the same asset is reversed that was previously recognised in profit or loss.

1.38 If an asset's carrying amount is decreased as a result of a revaluation, the decrease to the amount available shall first debit the revaluation surplus and the difference shall be recognised in profit or loss under operating expenses.

1.39 The revaluation surplus is derecognised in profit or loss when the revalued item of property, plant and equipment is derecognised. No part of the revaluation surplus may be distributed either directly or indirectly, unless it represents an actual gain; that is, the difference between the net realisable value on disposal of the property, plant and equipment and the carrying amount of an item of property, plant and equipment.

1.40 An item of property, plant and equipment is revalued due to impairment if its carrying amount exceeds its recoverable amount. The recoverable amount is considered the higher of fair value less costs to sell and value in use. If the fair value cannot be measured reliably, the recoverable amount shall be value in use. Estimating the value in use includes:

(a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and
(b) applying the appropriate discount rate to those future cash flows.

The value in use is generally determined for a cash-generating unit, i.e. the smallest identifiable group of assets whose continuing use is a source of cash receipts, mainly independent of cash receipts from other assets or groups of assets.

Only if the recoverable amount of an item of property, plant and equipment is less than its carrying amount, its carrying amount is reduced to its recoverable amount. Such a reduction is an impairment loss. An impairment loss on an item of property, plant and equipment measured using the cost model is recognised in profit or loss.

An impairment loss on depreciable assets is not a depreciation expense, but a revaluation operating expense relating to depreciable assets.

1.41 Impairment losses recognised on property, plant and equipment in the previous periods shall be reversed if, and only if the price used to determine the recoverable amount of an item of property, plant and equipment has changed when the last impairment loss was recognised. In such a case, the carrying amount of the asset shall be increased to its recoverable amount. Such an increase is a reversal of the impairment loss. In reversing an impairment loss on an item of property, plant and equipment, the increased the carrying amount shall not exceed the carrying amount that would have been determined (after deducting the accumulated depreciation) if no impairment loss would have not been recognised in the previous years, unless such an increase is the result of a revaluation. Reversal of an impairment loss of an item of property, plant and equipment measured using the cost model shall be recognised in the income statement.

More detailed rules on impairment of property, plant and equipment are set out in the SAS 17 Impairment of Property, Plant and Equipment and Intangible Assets.

(e) Disclosure of Property, Plant and Equipment

1.42 Organisations that are not subject to auditing are required to disclose only the legally prescribed information and data and other organisations shall meet also the requirements for disclosure in line with this standard. These disclosures are prescribed for all material matters. The nature and level of materiality shall be defined by the organisation in its internal rules.

1.43 The following disclosures are required for each category of property, plant and equipment:
(a) the bases for measurement used in determining the revalued cost;
(b) the cost or revalued cost, accumulated depreciation and accumulated impairment loss at the beginning and end of the accounting period;
(c) changes in carrying amount from the beginning to the end of the accounting period (due to acquisitions, reclassifications, disposals, depreciation, amortisation, revaluations).

1.44 For each major group of depreciable assets, the following is disclosed:
(a) the bases for valuation used in determining the amounts presenting depreciable assets;
(b) the depreciation methods used;
(c) the useful lives or depreciation rates used;
(d) the gross amount of the depreciable assets and their related accumulated depreciation.

1.45 If impairment losses or reversals of impairment losses have been recognised the reasons for, and effects of the impairment or reversal of impairment, as applicable, shall be disclosed. For property, plant and equipment acquired under lease, in addition to the above disclosures, the following disclosures shall be also made:
(a) depreciation expense by type of leased asset;
(b) the interest cost of the lease liability;
(c) the costs associated with short-term leases and leases of low-value assets;
(d) income from subleases of assets;
(e) the total cash flow for leases;
(f) gains and losses from sales transactions and leaseback transactions.

Assets acquired through leases are disclosed separately in the notes to the financial statements.

C Key Definitions

1.46 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to the asset on initial recognition.
(b) Revalued cost is the cost adjusted due to revaluation of an item of property, plant and equipment measured under the revaluation model.

(c) Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
(d) Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
(e) Useful life is the period over which an asset is expected to be available for use by an organisation; or the period over which the number of production or similar units expected to be obtained from the asset by an organisation.
(f) Amortisation (depreciation**)** is the systematic allocation of the depreciable / amortisable amount of an asset into amounts by which the value is gradually reduced over its useful life and which represents costs. Depreciation is the amount that leaves a depreciable asset during an accounting period and is the cost at that time.
(g) Depreciable or amortisable assets are assets which:
(a) are expected to be used during a period exceeding one financial year;
(b) have a limited useful life; and
(c) are held by an organisation for own use in the production or supply of goods and services, for renting to others against payment, or for other reasons.
(h) Depreciable or amortisable amount is the cost of an asset adjusted for revaluation, less its estimated residual value.
(i) Depreciation or amortisation base is equal to the depreciable/amortizable amount, when the straight-line method of depreciation/amortisation is used; when the diminishing balance method is used it may be equal to the current carrying amount of the asset, reduced by the estimated residual value.
(j) Depreciation or amortisation rate in the straight-line method is the ratio between the amounts transferred to products and services in individual years and the depreciation/amortisation base; when the diminishing balance method is used it may also be the ratio between the residual and the total useful life of an asset.
(k) Life-time depreciation/amortisation is a depreciation/amortisation method based on the useful life of an asset.
(l) The unit of production method (usage or functional depreciation) is one of the depreciation/amortisation methods in which the amount of depreciation/amortisation charge is based on the expected use or output of an asset.
(m) Economic life is either the period over which an asset is expected to be economically usable by one or more users; or the number of production or similar units expected to be obtained from the asset by one or more users.
(n) The residual value of an asset is the estimated amount that an organisation would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
(o) Costs of disposal are costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. These are, for example, costs of sales comprising in particular, any legal costs, duties, removal costs the cost of removing the asset and direct incremental costs associated with the preparation of the asset for sale. Costs of sales exclude transport and other costs necessary to bring the asset to market.
(p) An impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.
(q) Finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of a leased asset. Title may or may not eventually be transferred. As a rule, such lease

may not be cancelled unilaterally. Finance lease provides the lessor with full recovery of its investment in the lease and a reasonable profit.

(r) Minimum lease payments is the amount of payments over the lease term that the lessee is or can be required to make, excluding costs for services and taxes to be paid by and reimbursed to the lessor, together with, for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee or a third unrelated party.

(s) The interest rate implicit in the lease is the discount rate that, at the inception of the lease, generates the aggregate present value of the minimum lease payments and unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

(t) The incremental borrowing rate of interest is the rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the interest rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

(u) Lease incentives are payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee.

(v) Acquiree is a transaction in which the lessee re-leases the leased asset to a third party.

(w) Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds for the acquisition of an item of property, plant and equipment and interest in respect of leases liabilities. These are the costs that could be avoided if the expenditure on the qualifying asset had not been made. To the extent that an organisation borrows funds specifically for the purpose of obtaining a qualifying asset, the organisation shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. An organisation does not begin to capitalise borrowing costs as part of cost until the following conditions are met:

(a) it incurs expenditures for the asset;
(b) it incurs borrowing costs; and
(c) it undertakes activities that are necessary to prepare the asset for its intended use.

An organisation shall suspend capitalisation of borrowing costs when the activities necessary for the intended use are completed.

(x) Non-current assets (disposal group) held for sale are non-current assets (disposal group) whose carrying amount is reasonably expected to be recovered within twelve months principally through a sale transaction rather than through continuing use.

(y) Agricultural activity is the management by an organisation of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. Agricultural activity covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture, and aquaculture (including fish farming). Land related to agricultural activity is dealt with as other land.

D Clarifications

1.47 An item of property, plant and equipment whose individual cost of purchase as per supplier's invoice does not exceed EUR 500 may be carried and recognised as a group of low-value assets. Low-value assets whose individual cost of purchase as per supplier's invoice does not exceed EURO 500 may be classified as materials.

1.48 Spare parts are purchased to substitute components of property, plant and equipment for a variety of purposes that often depend on the technical operating circumstances; therefore, they shall be accounted for in accordance with their actual purpose and use. Major spare parts are usually accounted for as property, plant and equipment that are depreciated irrespective of the beginning of their use, while the spare parts used only in connection with one item of property, plant and equipment are only depreciated over the useful life of the related asset. Spare parts used for repairs or maintenance are carried and recognised as maintenance materials and are transferred on acquisition to materials inventories; upon installation they are charged against costs of materials.

1.49 Borrowing costs in relation to the acquisition of an item of property, plant and equipment may be included in the cost of that item of property, plant and equipment until it becomes available for use, especially if that exceeds one year.

1.50 The cost of property, plant and equipment also comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an organisation incurs when the item is acquired, and the costs which an organisation incurs having used the item during a particular period for purposes other than to produce inventories.

In addition, the cost of property, plant and equipment is increased by the costs of testing whether the asset is functioning properly, after deducting any possible net proceeds (for example, from selling samples produced when testing the equipment). Net proceeds from selling any items produced while bringing the asset to the proper location and working condition may also be taken into consideration.

1.51 If a newly acquired and recognised building which makes part of property, plant and equipment is disposed of due to the construction of a new building that will be part of the property, plant and equipment, the carrying amount of the existing building shall be charged against the cost of site preparation that may be included in the cost of the new building.

1.52 The cost of business premises that make part of a building (condominium) and that were acquired on the basis of a construction contract, a deed of sale or another legal basis comprise the cost of title to co-ownership of the functional land of the building. Functional land is the land intended directly for the use of the building, without which the building could not be used for its intended purpose. An ideal share of the functional land, belonging to the owner of a part of the building, cannot be an independent item of legal transfer; its free use is associated with the business premises. Consequently, this share cannot be recognised as a separate item of property, plant and equipment; instead, its cost is included in the cost of the business premises or the proportionate share of the building. in such a case the residual value of the acquired business premises (share of the building) is no less than the amount calculated on the basis of information about the price of the building land and the proportionate share of the area or the value of the acquired business premises with regard to the total surface or the value of the building in which the business premises are located.

1.53 Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions of some land, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. If the cost of land includes the costs of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.

1.54 Depreciation is accounted for separately, but may be accounted for jointly for low-value assets of the same type or used for similar purpose.

1.55 Depreciation of components of property, plant and equipment is accounted for separately. Components of property, plant and equipment may be grouped for the purpose of depreciation. The remainder of the asset, consisting of those parts of the asset that are not significant in themselves, is also depreciated separately.

1.56 Depreciation shall be accounted for even if an asset is no longer used or retired from use until it is fully depreciated. Under the unit-of-production method (functional depreciation), the amount of depreciation may be zero because there is no production.

1.57 Accumulated depreciation is not recognised for:
(a) land and other natural resources;
(b) property, plant and equipment until depreciation is accounted for;
(c) property, plant and equipment of special cultural, historic or artistic value;
(d) foundations for roads, railway lines, airports and similar structures; and
(e) other property, plant and equipment whose use is not limited in time.

1.58 If the carrying amount of an asset will be assured principally through sale rather than through continuing use, such asset shall be classified as a non-current asset held for sale or as disposal group held for sale.
An asset is reclassified if the following conditions are met:
(a) the asset is available for immediate sale in its present condition;
(b) a sale is highly probable (management has agreed a plan to sell, a customer is being sought);
(c) the asset is being actively marketed for sale; and
(d) the sale is expected to be completed within one year of the reclassification.

An asset is no longer depreciated when it is classified as a non-current asset held for sale or classified in a disposal group held for sale, or when it is derecognised, whichever is earlier. Such a non-current asset or disposal group held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

1.59 Notwithstanding the provisions of SAS 1.31, a biological asset that is an item of property, plant and equipment and is used in an agricultural activity in accordance with SAS 1.1 shall be measured at fair value less costs to sell when, at the date of initial recognition, the fair value of that biological asset can be measured reliably.

A biological asset that are physically attached to land (for example, a tree in a forest plantation) is measured at cost separately from the land.

If an active market exists for the biological asset in its present location and condition, the quoted price in such a market is an appropriate basis for determining the fair value of such an asset. If an organisation has access to different active markets, it uses the price in the market that it expects to use.

If no active market exists, the organisation shall use the following to determine fair value:
(a) the last existing transaction price in the market if there has been no significant change in economic circumstances between the date of that transaction and the end of the reporting period; and/or
(b) the market price(s) of similar assets, with adjustments to reflect differences, if available.

Contractual prices for sale at a future date are not appropriate for determining fair value because fair value must reflect the current market in which willing parties enter into in an arm's length transaction.

A gain or loss arising from a change in the fair value of a biological asset is recognised in profit or loss through operating revenue and expenses.

When the fair value of a biological asset cannot be measured reliably at the date of initial recognition because of the unavailability of market prices, the biological asset shall be measured at cost less accumulated depreciation and accumulated impairment losses. If fair value can be subsequently measured reliably, the biological asset shall be measured at fair value less costs to sell.

1.60 A finance lease is a lease which complies with one of the following conditions:
(a) the lease transfers ownership of the asset to the lessee by the end of the lease term; this condition is considered to be satisfied, if it is clearly stipulated in the lease agreement;
(b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
(c) the lease term is for the major part of the economic life of the asset, and at the end the title may or may not be transferred;
(d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
(e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

1.61 Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:
(a) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
(b) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee and
(c) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

1.62 A lease other than a finance lease is an operating lease. Leases of property (land and buildings in particular) are classified as operating or finance leases in the same way as leases of other assets.

1.63 A lessee may elect not to recognise short-term leases and leases for which the underlying asset is of low value as an asset, but to recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term or on some other systematic basis. The lessee shall use another systematic basis if that basis better reflects the pattern of the lessee's benefits. A lease with a lease term of up to 1 year is considered as a short-term lease. A low-value lease is a lease with a value of up to EUR 10, 000, taking into account the value of the new asset being leased.

A lessee organisation that is a micro or small organisation under the provisions of the Companies Act or a lessee organisation established under other legislation that is the same size as a micro or small organisation may elect not to recognise operating leases as assets but to recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term or on some other systematic basis that best reflects the pattern of the lessee's benefit.

An organisation, a public service enterprise that accounts for under SAS 32 (2016) Accounting Solutions for Public Service Enterprises does not recognise operating leases of fixed assets of the economic infrastructure to carry out the public services or activities as assets, but recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or on some other systematic basis that best reflects the pattern of the lessee's benefit.

1.64 Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for an organisation to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an organisation to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired. Such items of property, plant and equipment shall also be revalued due to impairment if their carrying amount exceeds their recoverable amount.

1.65 Property constructed or developed as investment property for future use shall in the meantime be carried and recognised as property, plant and equipment in the course of construction or manufacturing.

An item of property, plant and equipment which is held for rental to others and qualifies as investment property shall be treated in accordance with SAS 6.

1.66 Biological assets related to agricultural activity and recorded under property, plant and equipment when the conditions of SAS 1.1 are mainly perennial plantation (excluding the value of land related to them), animals used for work (e.g. horses, oxen, mules, donkeys and other animals), animals for breeding or animals reared for acquiring agricultural products (e.g. milk, wool, honey and eggs).

Perennial plantations are considered to have a fair value at the date of initial recognition that is generally not reliably measurable due to the unavailability of market prices. Therefore, perennial plantations are measured using the cost model.

1.67 A loss may arise on initial recognition of a biological asset measured at fair value as cost to sell is deducted from the fair value of the biological asset. However, a gain may also arise on initial recognition of a biological asset, for example, when a calf is born.

1.68 A lessee shall deal with the transition to this Standard in the section relating to changes in the scope of leases in accordance with item 5 of the SAS Framework. However, a lessee may elect to use the simplified option. In that case, it shall recognise the cumulative effect of the initial application of that amended scope of leases as an adjustment to the right-of-use and opening balance of the retained profit or loss at the date of initial application, i.e. 1 January 2019. The lessee shall apply one of those two options it elects consistently to all leases in which it is the lessee.

If the lessee elects the simplified option:
(a) for leases that were previously classified as operating leases, the lessee shall recognise a lease liability at the date of initial application. That lease liability is measured at the present value of the remaining lease payments discounted using the lessee's assumed borrowing rate at the date of initial application;
(b) for leases that were previously classified as operating leases, the lessee shall recognise the asset representing the right to use it at the date of initial application. The lessee shall elect, on a lease-by-lease basis, whether to measure the right-of-use asset:
  (i) at its carrying amount as if the amendments to the scope of lease had been applied from the inception of the lease, but discounted at the lessee's assumed borrowing rate at the date of initial application; or
  (ii) at an amount equal to the lease liability, adjusted for the amount of prepaid or accrued interest relating to that lease recognised in the balance sheet immediately before the date of initial application.

If a lessee elects the simplified transition option, it may apply the following practical expedients on a case-by-case basis:
(a) it may apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
(b) it may elect to apply the exemption option for leases for which the lease term ends earlier than 12 months from the date of initial application, as is the case for short-term leases;
(c) it may exclude initial direct costs from the measurement of a right-of-use asset at the date of initial application;
(d) it may apply retrospective determinations, for example, in determining the lease term, if the contract contains an option to renew or terminate the lease.

If a lessee elects to apply the simplified option to leases that were classified as finance leases, the carrying amount of the leased asset and lease liability at transition shall be the carrying amount of the leased asset and lease liability immediately before that date.

The lessee shall disclose in its disclosures all relevant transition matters at 1 January 2019.

That clarification has the nature of a specific transitional provision of this Standard.

E Date of Adoption and Effective Date

1.69 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical

with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 1 – Property, Plant and Equipment (2006), SAS 13 - Depreciation and Amortisation Expense (2006) and Interpretation to SAS 1 (2006).

Slovenian Accounting Standard 2 (2016)

INTANGIBLE ASSETS

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of intangible assets. It deals with:

(a) the classification of intangible assets;
(b) the recognition and derecognition of intangible assets;
(c) the initial measurement of intangible assets;
(d) the revaluation of intangible assets; and
(e) the disclosure of intangible assets.

This Standard relates specifically on Slovenian Accounting Standards (SASs) 1, 14, 15, 17, 21, and 22.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and SAS Framework (2016).

B The Standard

(a) Classification of Intangible Assets

2.1 An intangible asset is an identifiable non-monetary asset, usually without physical substance. It normally appears as an intangible long-term asset.

2.2 Intangible assets comprise deferred development costs, investments in the acquired industrial property and other rights and in the goodwill of the acquiree.

2.3 Investments in acquired long-term industrial property rights (concessions, patents, licences, brands and similar rights) generate future economic benefits.

2.4 Intangible assets shall be classified as intangible assets with finite useful lives and intangible assets with indefinite useful lives.

2.5 Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in the acquisition of another organisation (acquiree) that are not individually identifiable and separately recognised. Future economic benefits may arise from synergies between the identifiable assets acquired or from assets that are not individually recognised in the financial statements.

2.6 Advances paid for intangible assets presented in the balance sheet in association with intangible assets, shall be recorded in the books of account as receivables.

2.7 Shares in jointly controlled intangible assets shall be carried and accounted for separately; they shall be recognised and classified according to the nature of the jointly controlled intangible assets.

(b) Recognition and Derecognition of Intangible Assets

2.8 An intangible asset, with the exception of goodwill, meets the identifiability criterion under SAS 2.1, when it:

(a) is separable, i.e. is capable of being separated or divided from the organisation and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the organisation or from other rights and obligations.

2.9 An intangible asset shall be recognised in the books of account and in the balance sheet if:
(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the organisation; and
(b) the cost of the asset can be measured reliably.

2.10 An organisation shall assess the probability of expected future economic benefits of an intangible asset using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

2.11 The costs of research incurred by the organisation shall not be recognised as an intangible asset; instead, they shall be recognised as costs or expenses of the accounting period in which they are incurred. Establishment costs cannot be capitalised.

2.12 Development costs incurred by an organisation shall be recognised as intangible asset if the organisation can demonstrate all of the following:
(a) the technical feasibility of completing the project so that it will be available for use or sale;
(b) its intention to complete the project and use or sell it;
(c) its ability to use or sell the project;
(d) how the project will generate probable future economic benefits, including the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the project; and
(f) its ability to measure the expenditure attributable to the intangible asset during its development reliably.

2.13 Internally generated brands, colophons, mastheads, publishing titles, customer lists and items similar in substance shall not be recognised as intangible assets.

2.14 Internally generated goodwill shall not be recognised as an intangible asset.

2.15 The recognition of an intangible asset shall be reversed and eliminated from the books of account and from the balance sheet on disposal or when no future economic benefits are expected from its further use and subsequent disposal.

(c) Initial Measurement of Intangible Assets

2.16 An intangible asset that qualifies for recognition shall on initial recognition be measured at cost. In addition to its purchase price, the cost of an intangible asset comprises import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use. The cost also includes borrowing costs until the intangible asset is created, if it is prepared longer than one year.

A lessee may recognise an intangible asset representing a right to use and a lease liability at the inception date of the lease. In the initial measurement of the right to use the intangible asset and the lease liability of the lessee with SAS 1.27 is taken into account.

2.17 The acquirer recognises goodwill as the excess of (a) over (b), where:
(a) the aggregate of:
- the consideration transferred for the acquiree, usually measured at fair value at the acquisition date,
- the amount of the acquirer's non-controlling interest in the acquiree,
- in a business combination achieved in stages, the fair value at the acquisition date of the acquirer's previous equity interest in the acquiree;

(b) the net amount of the identifiable assets acquired and liabilities assumed in the acquisition of the acquiree.

2.18 The cost of an intangible asset acquired in exchange of the acquired intangible asset for another non-monetary asset or a combination of monetary and non-monetary assets, whereby the monetary portion is insignificant in relation to the total cost, is measured at fair value unless:
(a) the exchange transaction lacks commercial substance; or
(b) the fair value of neither the asset received nor the asset given up is reliably measurable.

If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

An intangible asset acquired by way of a government grant or a donation shall on acquisition be recognised at cost or, if this is not known, at fair value increased by any directly attributable cost of preparing the asset for its intended use.

2.19 The cost of an internally generated intangible asset comprises the cost incurred by its construction or production, and the indirect costs attributable to its construction or production. The cost of an intangible asset does not include any costs that are not associated with its construction or production, and the costs that the market does not recognise, but it may comprise borrowing costs in connection with its construction and production until the intangible asset is created.

2.20 In the books of account an intangible asset shall be carried separately at its cost or revalued cost, while any accumulated depreciation and accumulated impairment losses shall be recorded separately; in the balance sheet, however, intangible assets are disclosed exclusively at their carrying amount which is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

For intangible assets acquired under lease, the cost also includes an allowance for remeasurement of the lease liability in the manner specified in SAS 1.31(c).

2.21 The carrying amount of an intangible asset with finite useful life is decreased through amortisation. Amortisation shall begin when the intangible asset with finite useful life is available for use. The depreciable amount of an intangible asset with finite useful life shall be allocated with regard to its reasonably assessed useful life. An intangible asset with finite useful life shall be amortised over its useful life.

2.22 If the control over the future economic benefits from the intangible asset with finite useful life is achieved through a legal right that has been granted for a finite period, the useful life of such asset may not exceed the period of that legal right unless:

(a) the legal right is renewable; and

(b) renewal is virtually certain.

2.23 The amortisation method used shall reflect the pattern in which the asset's future economic benefits from an intangible asset with finite useful life. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation expense for each period shall be recognised as a cost or operating expense of that period.

2.24 The amortisation period and the amortisation method shall be reviewed at least at each financial year-end. If the expected useful life of the intangible asset with finite useful life is significantly different from previous estimates, the amortisation period shall be changed accordingly. If there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed accordingly. Such changes shall be accounted for as changes in accounting estimates. They influence the amortisation charge for the current and future accounting periods.

2.25 The residual value of an intangible asset shall be reviewed at least at each financial year-end. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:
(a) there is a commitment by a third party to purchase the asset at the end its useful life; or
(b) there is an active market for the asset, and residual value can be determined by reference to that market, and it is probable that such a market will exist at the end of the asset's useful life.

2.26 An intangible asset with indefinite useful lives shall not be amortised, but rather impaired.

Goodwill is considered an intangible asset with a finite useful life. When the useful life of goodwill cannot be estimated reliably, goodwill is amortised on a straight-line basis over five years.

2.27 The difference between the net disposal proceeds and the carrying amount of the disposed of intangible asset shall be allocated to revaluation operating revenue if the net disposal proceeds exceed the carrying amount, or to the revaluation operating expenses if the carrying amount exceeds the net disposal proceeds. An intangible asset may be disposed of in a number of ways (e.g. by sale, finance lease or donation).

(d) Revaluation of Intangible Assets

2.28 The revaluation of intangible assets is an adjustment to their carrying amount due to impairment. Intangible assets are not revalued.

2.29 The carrying amount of intangible assets shall be decreased if it exceeds their recoverable amount.

2.30 An organisation is required to test an intangible asset with indefinite useful life and/or an intangible asset not yet in use for impairment by comparing its carrying amount with its recoverable amount at the date of drawing up the financial statements.

The organization shall annually review any impairment for goodwill.

2.31 A loss recognised for impairment of goodwill shall not be reversed in subsequent periods.

2.32 Other impairment rules for intangible assets are governed by SAS 17 Impairment of Property, Plant and Equipment and Intangible Assets.

(e) Disclosure of Intangible Assets

2.33 Organisations not subject to auditing shall only disclose the information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

2.34 An organisation shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:
(a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
(b) the amortisation methods used for intangible assets with finite useful lives;
(c) the cost and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and at the end of the period;
(d) a reconciliation of the carrying amount at the beginning and at the end of the period.

2.35 The financial statements shall disclose:
(a) the carrying amount and the remaining amortisation period of any individual intangible asset that is material to the financial statements of the organisation as a whole;
(b) the initially recognised value of the intangible asset acquired by way of a government grant;
(c) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and
(d) the amount of commitments for the acquisition of an intangible asset.

2.36 An organisation shall disclose the information from (a) to (d) for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in relation to the total carrying amount of goodwill or intangible assets with indefinite useful lives:
(a) the carrying amount of goodwill allocated to cash-generating units;

(b) the carrying amount of intangible assets with indefinite useful lives allocated to cash-generating units;
(c) the basis on which the recoverable amount of a cash-generating unit was determined, i.e. the value in use or fair value less costs to sell;
(d) if the recoverable amount of a cash-generating unit is based on value in use:
- a description of each key assumption on which management based its projections of cash flows for the period included in the most recent estimates /forecasts in calculating the recoverable amount of the cash-generating unit;
- a description of the method used by management in determining the value(s) attributed to each key assumption, whether those values reflect historical experience or, if appropriate, are consistent with external sources of information, and, if they are not, how and why they differ from historical experience or external sources of information;
- the period over which management has projected cash flows based on the accounting estimates/forecasts it has approved and, for a period longer than five years for each cash-generating unit, an explanation of why a longer period is justified;
- the growth rate used in extrapolating the cash flow projections beyond the period included in the most recent estimates/forecasts, and the rationale for using a growth rate that exceeds the long-term average growth rate for the products, activity, country or countries in which the organisation operates or markets to which the cash-generating unit is targeted;
- the discount rates used in those cash flow projections;

(e) if the recoverable amount of the unit is based on fair value less costs to sell, the methodology used to determine the fair value less costs to sell. The disclosure of intangible assets acquired through leases may be applied, as appropriate, in accordance with SAS 1.45.

C Key Definitions

2.37 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Intangible assets are normally long-term assets that contribute to the development of business capabilities. Intangible assets may also be assets received and held by a lessee under a lease agreement, except for items such as films, video recordings, plays, manuscripts, patents, and copyrights.

(b) Research costs are the costs of original and planned research undertaken in the hope that they will lead to new scientific or technical knowledge and understanding.

(c) Development costs are the costs of transferring research findings or knowledge to a plan or project to produce new or substantially improved products or services before they are produced or rendered for sale.

(d) A concession is an approval or a power given formally by a government to use a natural resource or to carry out a public service. Accounting for concessions is based on the cost of concession.

(e) A patent is an exclusive right based on an invention; as a rule, the owner makes use of the protected invention and at the same time prohibits anyone else to use the invention, sells the newly invented products, and receives compensations when someone else uses the patented innovation on the basis of an agreement. Accounting for a patent is based on the cost of the patent and the costs incurred in the process of its development.

(f) A licence is the right to use a patent. Accounting for licences is based on the cost of the licence, provided that a licence has been paid for in advance for a longer period of time.

(g) Brand is the right protecting a sign, or a mark used in trade for distinguishing purposes. Accounting for brands is based on the cost of the brand and/or the costs and expenses in connection with its acquisition.

(h) Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds for the acquisition of an intangible asset. These are the costs that could be avoided if the expenditure on the qualifying asset not been made. To the extent that an organisation borrows funds specifically for the purpose of obtaining a qualifying asset, the organisation shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. An organisation does not begin to capitalise borrowing costs as part of cost until the following conditions are met:

(a) it incurs expenditures for the asset;
(b) it incurs borrowing costs; and
(c) it undertakes activities that are necessary to prepare the asset for its intended use.

An organisation shall suspend capitalisation of borrowing costs when the activities necessary for the intended use are completed.

D Clarifications

2.38 An intangible asset whose individual value does not exceed EUR 500 may be recognised as cost of the period in which it is incurred.

2.39 Rights in immovable property and other similar rights that are recognised and measured as intangible assets in the financial statements in accordance with this Standard are recognised in the balance sheet under the item 'land and buildings'.

2.40 An organisation - lessee may elect to account for leases of intangible assets in the same manner as is specified in SAS 1.63.

An organisation shall carry out the transition to this Standard, to the extent that it relates to changes in the scope of leases, in the same manner as is specified in SAS 1.68.

E Dates of Adoption and Effective Date

2.41 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was approved by the Minister responsible for Finance and the Minister responsible for the Economy. Organisations with a financial year equal to the calendar year shall apply it from 1 January 2016, while the remaining organisations shall apply it for the first financial year starting after that date.

Organisations shall discontinue applying SAS 2 Intangible Assets and Long-Lived Assets (2006) and the Interpretations to SAS 2 (2006) from the date of application of this Standard.

Slovenian Accounting Standard 3 (2016)

INVESTMENTS

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of investments. It deals with:

(a) the classification of investments;
(b) the recognition and derecognition of investments;
(c) the initial measurement of investments;
(d) the revaluation of investments; and
(e) the disclosure of investments.

This Standard relates specifically to Slovenian Accounting Standards (SASs) 8, 9, 14, 15, 20, 21, and 23.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Investments

3.1 Investments represent financial assets held by the investor organisation for the purpose of increasing its financial revenue through returns from investments; financial revenue differs from operating revenue which derives from the sale of products and provision of services within the scope of the organisation's regular operation.

3.2 Investments are predominantly investments in the equity of other organisations or in financial liabilities of other organisations, of the government, of a region or municipality, or of other issuers (investments in loans); they may also appear as financial assets of a different nature unrelated to the production of goods and provision of services in the organisation concerned. Operating receivables shall not be considered investments, except those held for trading.

3.3 Investments in the equity of other organisations are investments in equity instruments.

3.4 Investments in loans are investments in financial liabilities of other organisations, of governments or of other issuers. They also comprise investments in bonds bought.

3.5 Investments also comprise investments in derivatives.

3.6 Investments in equity and investments in loans are categorised as those relating to the consolidated subsidiaries, associates and jointly controlled organisations, and others.

3.7 On initial recognition, investments shall be classified as:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- investments in loans; or
- available-for-sale financial assets.

(b) Recognition and Derecognition of Investments

3.8 An investment shall be recognised as financial assets in the books of account and in the balance sheet if:

(a) it is probable that the future economic benefits that are associated with it will flow to the organisation; and

(b) the cost of the investment can be measured reliably.

3.9 When accounting for a regular way purchase of a financial asset, such financial asset shall be recognised in the books of account and in the balance sheet by using either trade date accounting or settlement date accounting. The same applies to the accounting of a regular way sale of a financial asset. The method used shall be applied consistently for all purchases and sales of financial assets that belong to the same category of investments defined in SAS 3.7.

3.10 Investments are financial assets recognised in the balance sheet as long-term and short-term investments. Long-term investments are investments that an investor organisation intends to hold for a period longer than one year, and that are not held for trading.

3.11 Financial assets at fair value through profit or loss are usually short-term investments.

3.12 Long-term investments in financial liabilities of other organisations, of the government or of other issuers (investments in loans) with maturity of one year after the balance sheet date shall be transferred to short-term investments in the balance sheet.

3.13 Long-term investments in loans, that is in the liabilities of other organisations, that cease to have a long-term character due to a change in the debtors' situation (for example, due to bankruptcy or liquidation) shall be recognised as short-term investments.

3.14 Short-term investments may be converted into long-term investments for pertinent reasons and on the basis of contracts.

3.15 Long-term investments reclassified to short-term investments shall be transferred individually at their carrying amounts. Short-term investments reclassified to long-term investments shall be transferred individually at their carrying amounts.

3.16 An organisation shall derecognise an investment as financial asset in its books of account and in the balance sheet when the organisation no longer has control of the contractual rights that comprise that asset; an organisation loses such control if it realises the rights to benefits specified in the contract, if the rights expire, or if the organisation transfers almost all the risks and rewards of ownership of the investment.

(c) Initial Measurement of Investments

3.17 On initial recognition an organisation shall measure an investment recognised as financial asset at its fair value. If a financial asset is not classified under financial assets at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the financial asset shall be added to the initially recognised value.

3.18 When an organisation accounts for an investment at the settlement date, it shall initially recognise the investment that will subsequently be measured at cost or amortised cost at its fair value at the trade date increased by transaction costs.

(d) Revaluation of Investments

3.19 Revaluation of investments is an adjustment to their carrying amount; contractually accrued interest and other adjustments to the investment's principal are not considered to be revaluation. It usually appears as a revaluation of investments to their fair value, a revaluation of investments for impairment or a revaluation of investments for reversal of impairment

3.20 After initial recognition, an organisation shall measure financial assets, including derivatives that are financial assets, at their fair values, without any deduction for transaction costs that may incur on sale or other disposal, except for

(a) investments in loans, which shall be measured at amortised cost using the effective interest method;

(b) held-to-maturity investments, which shall be measured at amortised cost using the effective interest method; and

(c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured; and in derivatives that are linked to such investments and must be settled by delivery of such unquoted equity instruments; such investments shall be measured at cost.

Investments in subsidiaries, associates and joint ventures are measured and accounted for at cost only.

3.21 Fair value is evidenced, if it can be reliably measured. Fair value is determined in accordance with SAS 16 – Identification and Measurement of Fair Value. If fair value cannot be measured reliably, investments are measured at cost.

3.22 A recognised gain or loss from a change in the fair value of a financial asset that is not part of a hedging relationship shall be recorded as follows:

(a) a recognised gain or loss on a financial asset classified as at fair value through profit or loss shall be recognised in profit or loss under financial revenue and expenses;

(b) a recognised gain or loss on an available-for-sale financial asset shall be recognised directly in equity as an increase (gain) or a decrease (loss) in the fair value reserve. If the fair value of an available-for-sale financial asset is lower than its recognised value, negative fair value reserve shall be recognised.

Impairment losses resulting from the revaluation that could not be covered by fair value reserves shall be recognised as loss in the profit or loss.

Restatements of financial assets expressed in foreign currencies that are monetary items shall be recognised in profit or loss. Restatements of other financial assets expressed in foreign currencies shall be recognised in accordance with their classification.

Interest calculated by using the effective interest method shall be recognised in profit or loss.

Dividends on an equity instrument shall be recognised in profit or loss when the organisation's right to receive payment is established.

3.23 For financial assets, carried at amortised cost, a gain or loss is recognised in profit or loss when such assets are revalued for impairment or derecognised.

3.24 If an organisation recognises financial assets using settlement date, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost (rather than impairment losses). For assets carried at fair value, however, the change in fair value shall be recognised in profit or loss or in equity, as appropriate under SAS 3.22.

3.25 For investments that are not classified as financial assets at fair value through profit or loss, an assessment shall be made at each balance sheet date as to whether there is any objective evidence that they may be impaired. If such evidence exists, the investment shall be revalued for impairment.

An investment (or group of investments) is impaired, resulting in a loss, only if there is objective evidence of impairment as a result of an event (or events) after the initial recognition of the financial asset (an adverse event) and that event (or events) has (have) an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes relevant information about:

- significant financial difficulties of the issuer or debtor;

- a breach of contract, such as a default or a failure to pay interest or principal;

- a concession by the lender to the borrower for economic or legal reasons related to the lender's financial difficulties that the lender would not otherwise have considered;

- the likelihood of bankruptcy or financial reorganisation of the borrower;
- the disappearance of an active market for such a financial asset because of financial difficulties;
- significant information indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of the assets, including:
    - adverse changes in the payment status of borrowers (for example, an increase in the number of late payments or an increase in the number of borrowers with credit cards who have reached their upper limit and are making only small monthly payments);
    - economic conditions in the country or local environment, related to defaults on assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the area concerned or adverse changes in the industry affecting the borrowers).

In addition to these types of events, objective evidence that an equity investment is impaired includes information about significant adverse changes that have occurred in the technological, market, economic or legal environment in which the issuer operates that indicate that the value of the equity investment may not be recoverable.

3.26 If there is objective evidence that an impairment loss on loans or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the allowance account. The impairment loss shall be recognised in profit or loss as revaluation financial expense.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss shall be reversed by restatement either directly or through the allowance account. The reversal of impairment losses shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been if the impairment loss had not been recognised at the date on which the impairment loss is reversed. The reversal of an impairment loss shall be recognised in profit or loss as revaluation financial revenue.

3.27 If there is objective evidence that an impairment loss has been incurred on an investment in an equity instrument that does not have a quoted market price in an active market and that is not carried at fair value, but at cost, because its fair value cannot be reliably measured, or in a derivative that is linked to it and must be settled by delivery of such equity instruments that do not have a quoted market price in an active market, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets and recognised as revaluation financial expense.

Such impairment losses shall not be reversed.

3.28 When a decrease in the fair value of an available-for-sale financial asset has been recognised directly in equity as the negative fair value reserve and there is objective evidence that the asset is impaired, first that negative fair value reserve shall be decreased by the accumulated loss and revaluation financial expenses shall be recognised accordingly. The amount of the cumulative loss by which the negative fair value reserve has been decreased and the revaluation financial expenses recognised shall be the difference between the cost (after deduction of any principal repayment) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss as revaluation financial expense.

An investment in an equity financial instrument classified as available-for-sale is also impaired if there is a significant or a prolonged decrease in its fair value below its cost. A significant decrease is generally considered to be a decrease of fair value by more than 20% of its cost. However, a prolonged decrease is considered to be such a decrease over a period exceeding 12 months.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, and the amount of the reversal recognised in profit or loss as revaluation financial revenue.

3.29 For hedge accounting, an organisation shall adopt written rules on hedge accounting, documentation of the hedge relationship should exist, objectives and a risk management strategy are to be adopted. At a minimum, the hedging rules shall identify the hedging instruments, the hedged items or transactions, the nature of the risk being hedged, and the performance of the hedging instruments in dealing with their exposure to changes in the fair value of the hedged item or the hedged cash flows of the transaction that are attributable to the hedge. For cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and exposed to changes in cash flows that could have a significant effect on profit or loss.

The fair value or cash flows of the hedged item attributable to the hedge and the fair value of the hedging instrument shall be reliably measurable.

For a successful hedge that can be measured reliably, the gain or loss on remeasurement of the fair value hedging instrument or hedged item is accounted for and recognised immediately in profit or loss.
For cash flow and net investment hedges, the portion of the gain or loss on the hedging instrument that qualifies as a successful hedge is recognised in other comprehensive income and the unsuccessful portion of the gain is recognised in profit or loss.

The gain or loss on the hedging instrument that relates to the successful portion of the hedge that was recognised in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment in the same period or periods in which the forecast cash flows hedged affect profit or loss (for example, when a forecast sale is made) or on the disposal or partial disposal of a foreign operation.

3.30 On derecognition of a financial asset in its entirety that is an equity instrument, the difference between
(a) the carrying amount and
(b) the sum of the compensations received (including any new asset obtained, less any new liability assumed) and any accumulated gains or losses that had been recognised directly in equity shall be recognised in net profit or loss.

On derecognition of a financial asset in its entirety that is not an equity instrument in its entirety, the difference between
(a) the carrying amount and
(b) the sum of the consideration received, including new assets acquired less new liabilities assumed, and the cumulative gain or loss recognised directly in equity shall be recognised in profit or loss.

(d) Disclosure of investments

3.31 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

3.32 The nature of the relationship between the parent and any individual subsidiary of which the parent does not own, directly or through the subsidiaries, more than half of the voting power shall be disclosed.

3.33 An organisation – venturer shall disclose its share of ownership interests in jointly controlled entities in which it holds its investments. Furthermore, a venturer shall disclose all of its commitments in respect of its interests in joint ventures, and its share in the capital commitments that have been assumed jointly with other venturers or on its own in relation to the equity of jointly controlled entities.

3.34 The following shall be disclosed in relation to all investments:
(a) the accounting policy used to establish their cost and subsequent carrying amount, their fair value and amortised cost;
(b) the date of the most recent revaluation of investments and whether an independent valuer was involved;
(c) the movement in the fair value reserve in respect of the investments, and the revaluation financial revenue and expense in respect thereof.

3.35 For each type of investment, information is disclosed on:
(a) the exposure to different types of risk;
(b) the extent and types of financial instruments used to hedge the risk;
(c) investments that are due but not yet collected.

3.36 For interest rate risk exposures, the contractual terms of interest rate adjustments or payment terms are disclosed, whichever is earlier.

3.37 With regard to credit risk exposure an organisation shall disclose:
(a) the amount that best represents its maximum credit risk exposure at the balance sheet date, without taking account of the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments; and
(b) significant concentrations of credit risk.

3.38 For each class of investments an organisation shall disclose information about its fair value. If the fair value cannot be determined sufficiently reliable, this fact shall be disclosed together with the information about principal characteristics of each class of investments.

3.39 If an organisation has reclassified a financial asset from the fair value through profit or loss category in accordance with paragraph 3.47, it shall disclose:
(a) the financial asset reclassified into and out of each category;
(b) for each reporting period until derecognition of the financial asset, the carrying amount and fair value of all financial assets that were reclassified in the current and prior reporting periods;
(c) the exceptional circumstances and the facts and circumstances that indicate that the circumstances were exceptional; and
(d) for the reporting period in which the financial asset was reclassified, the gain or loss on the change in fair value that was recognised in profit or loss or in the revaluation surplus in the current and prior reporting periods;
(e) for each reporting period after reclassification (including the reporting period in which the reclassification occurred) until derecognition of the financial asset, the gain or loss on the change in fair value that was recognised in profit or loss or in fair value reserves if the financial asset had not been reclassified and the gain, loss, return and expense recognised in the profit or loss;
(f) the effective interest rate and the estimated amounts of cash flows that the organisation expects to collect, as at the date of reclassification of the financial asset.

C Key Definitions

3.40 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) A long-term investment is an investment held by an investor organisation during a period of more than one year with the intention to generate long-term yield, and not for trading. Any other investment shall be stated in the balance sheet as a short-term investment.

(b) A financial instrument is any contract that gives rise to a financial asset of one organisation and a financial liability or equity instrument of another organisation. A financial asset is any asset that is:

(a) cash;
(b) a contractual right to receive cash or another financial asset from another organisation;
(c) a contractual right to exchange financial instruments with another organisation under conditions that are potentially favourable;
(d) an equity instrument of another organisation; or
(e) a contract that may or will be settled in the organisation's own equity instruments.

(c) Securities are documents with which the issuer pledges to fulfil the stated liability to their rightful owner. Equity securities are issued by an organisation in association with its equity, while debt securities are issued by an organisation in association with its liabilities or debt.

(d) A derivative is a financial instrument:

(a) whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or similar variables;
(b) that requires no initial net investments or little initial net investment; and
(c) that is settled at a future date. Typical examples of derivatives are futures and forwards, swaps and option contracts. A derivative can also be used as a hedging instrument.

(e) The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

(f) The effective interest method is a method of calculating the amortised cost of a financial asset or group of financial assets and of allocating the interest income or of interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future flow of cash payments or receipts through the expected life of the financial instrument or, when appropriate, in shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, an organisation shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayments, call and similar options), but shall not consider future credit losses. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. It is assumed that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the organisation shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

(g) An equity instrument is any contract that evidences a residual interest in the assets of an organisation after deducting all of its liabilities.

(h) A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market concerned.

(i) Transaction costs are costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

(j) The trade date is the date that an organisation commits itself to purchase or sell an asset. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset and recognition of any gain or loss on disposal and the recognition of a receivable from the customer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(k) The settlement date is the date that an asset is delivered to or by an organisation. Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the organisation; and

(b) the derecognition of an asset, and recognition of any gain or loss on disposal on the day that it is delivered by the organisation.

When settlement date accounting is applied an organisation accounts for any change in the fair value of the asset to be received during the period between the trade date and the settlement date in the same way as it accounts for the acquired asset. In other words, the change in value is not recognised for assets carried at cost or amortised cost; it is recognised in profit or loss for assets classified as financial assets at fair value through profit or loss; and it is recognised in equity for assets classified as available for sale.

(l) Impairment loss is the amount by which the carrying amount of an asset not measured at fair value through profit or loss exceeds its recoverable amount.

(m) A hedging instrument, for hedge accounting purposes, is a designated derivative or a designated non-derivative financial asset or derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

(n) A hedged item is an asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that:

(a) exposes the organisation to risk of changes in fair value or future cash flows; and that

(b) for hedge accounting purposes is designated as being hedged.

(o) Hedging means designating one or more hedging instruments so that its (their) change in fair value is an offset, in whole or in part, to the change in fair value or cash flows of a hedged item.

(p) A subsidiary is an organisation that is controlled by another controlling organisation.

(q) A joint venture is a joint arrangement, usually of an organisation formed by several venturers (parties to the joint venture) that have a right to the net assets of the joint venture. The joint venturers, by virtue of a contractual agreement, jointly control the entire business of such an organisation.

(r) An associate is an organisation in which the organisation concerned has significant influence resulting from its equity interest in it or for other reasons.

(s) Returns from investments are the returns derived annually from organisations in which the investments are held (for example, interest, shares in net profit, rentals on finance lease), and gains on their disposal (for example, excess of the proceeds over their cost or carrying amount after revaluation).

(t) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See SAS 16 Identification and Measurement of Fair Value.

(u) Cash items comprise the cash held by an organisation, and investments in loans that an organisation will recover in a determined or determinable amount of cash.

D Clarifications

3.41 Investments are part of both financial assets as well as of long-term and current assets of an investor organisation. They represent the basis of financial receivables from legal or natural persons and result with those persons in equity or financial liability. Long-term commodity credits to others are not investments.

3.42 A financial asset measured at fair value through profit or loss is a financial asset that meets either of the following conditions:
(a) it is classified as held for trading; a financial asset is held for trading if it is:
  - acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
  - part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent short-term profit-taking;

(b) it is a derivative (except for a derivative that is a designated and effective hedging instrument);
(c) it is any financial asset designated as such by the organisation, if active market for such asset exists or if its value can be measured reliably.

3.43 Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an organisation has the positive intention and ability to hold to maturity other than,
(a) those that the organisation upon initial recognition designates as at fair value through profit or loss;
(b) those that the organisation designates as available for sale; and
(c) those that meet the definition of loans.

An organisation shall not classify any financial assets as held to maturity if the organisation has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:
- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the organisation has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the organisation's control, is non-recurring and could not have been reasonably anticipated by the organisation.

3.44 Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

– those that the organisation intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the organisation upon initial recognition designates as at fair value through profit or loss;
– those that the organisation upon initial recognition designates as available for sale.

An interest acquired in a pool of assets that are not loans or receivables (for example, an interest in mutual fund or a similar fund), is not a loan or receivable.

3.45 Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:
(a) loans;
(b) held-to-maturity investments; or
(c) financial assets at fair value through profit or loss.

3.46 For financial assets measured and accounted for at cost, the organization determines at each balance sheet date whether there is any objective evidence that they may be impaired to their recoverable amount. The recoverable amount is measured at the higher of fair value less costs to sell and value in use:

(a) fair value less costs to sell is the price that would be received to sell the asset or paid in an orderly transaction between market participants at the measurement date;

(b) value in use is the present value of the estimated future cash flows from the financial asset (for example, dividends) that are expected to arise from the continuing use of the asset and the value of the financial asset on disposal.

The recoverable amount is measured in accordance with SAS 17 Impairment of Property, Plant and Equipment and Intangible Assets.

3.47 The organisation:

- shall not reclassify a derivative financial instrument out of the fair value through profit or loss category while the instrument is held;

- shall not reclassify a financial instrument out of the fair value through profit or loss category if it designated it as at fair value through profit or loss on initial recognition;

- may reclassify a financial asset, if it is no longer held for the purpose of selling or repurchasing in the near term (even if the financial asset was acquired or assumed principally for the purpose of selling or repurchasing in the near term), out of the fair value through profit or loss category if the requirements of SAS 3.47 are met.

After initial recognition, an organisation shall not reclassify a financial instrument into the fair value through profit or loss category.

A financial asset to which the third indent of the first paragraph of SAS 3.47 applies may be reclassified out of the fair value through profit or loss category only in exceptional circumstances.

If an organisation reclassifies a financial instrument out of the fair value through profit or loss category in accordance with the third indent of the first paragraph of SAS 3.47, the financial instrument shall be reclassified at fair value at the date of reclassification. Any gain or loss already recognised in profit or loss shall not be reversed. The fair value of the financial asset at the reclassification date becomes its new cost or amortised cost, as appropriate.

3.48 If, because of a change in purpose or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value, with the difference between its carrying amount and fair value accounted for in accordance with item (b) of SAS 3.22.

3.49 When the sale or reclassification of investments classified as held-to-maturity and whose value is not insignificant does not meet any of the conditions in SAS 3.7, any remaining held-to-maturity investments shall be reclassified as available-for-sale. On such reclassification, the difference between their carrying amount and fair value is accounted for in accordance with SAS 3.22.

3.50 If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available, or because two financial years have passed, it becomes appropriate to carry a financial asset or financial liability at cost or amortised cost rather than at fair value, the fair value of the financial asset on that date becomes its new cost or amortised cost, as applicable. Any previous gain or loss on that asset that has been recognised directly in equity in accordance with SAS 3.22 shall be accounted for as follows:

(a) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised in profit or loss over the remaining useful life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised directly in equity is recognised in profit or loss in accordance with SAS 3.28.

(b) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall remain in equity until the financial asset is sold or otherwise disposed of, when it shall be recognised in profit or loss. If the financial asset is subsequently impaired any previous gain or loss that has been recognised directly in equity is recognised in profit or loss.

E Date of Adoption and Effective Date

3.51 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 3 – Investments (2006) and Interpretations to SAS 3 (2006).

Slovenian Accounting Standard 4 (2016)

INVENTORIES

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of inventories of materials, merchandise, work in progress and products. It deals with:

(a) the classification of inventories;
(b) the recognition and derecognition of inventories;
(c) the initial measurement of inventories;
(d) the revaluation of inventories; and
(e) the disclosure of inventories.

This Standard relates specifically to Slovenian Accounting Standards (SASs) 12 and 14.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Inventories

4.1 Inventories are usually assets in tangible form to be consumed in the production process or in the rendering of services, or assets in the process of production for sale, or assets sold in the ordinary course of business.

4.2 Inventories of materials comprise quantities held in store, in the process of completion and modification, and in transit from a supplier, if the customer has already taken them over or assumed the risks and rewards in respect of them. Materials also encompass low-value assets whose useful life is not more than one year, as well as low-value assets whose useful life is more than one year if the cost of purchase of an item of the low-value assets does not exceed EUR 500.

4.3 Inventories in the process of production encompass work in progress and semi-finished products. Work in progress may also include the rendering of services completed but not yet accepted (approved) by the client by the end of the accounting period.

4.4 Inventories held for sale encompass finished goods and merchandise held in store and quantities in transit to the customer until accepted by the customer; merchandise also includes quantities in transit from the supplier, if already accepted by the customer.

4.5 Advances paid for materials and merchandise recognised in the balance sheet in association with inventories, shall be recorded in the books as receivables.

4.6 Quantities held in stock shall be distinguished from damaged goods in stock, from products originating from discontinued production, from lower quality products and from non-moving merchandise.

(b) Recognition and Derecognition of Inventories

4.7 An item of inventories shall be recognised in the books of account and in the balance sheet if:
(a) it is probable that the future economic benefits that are associated with the item will flow to the organisation; and
(b) its cost and/or cost value or fair value (in the case of inventories of biological assets or agricultural produce), can be measured reliably.

4.8 An item of inventories shall be recognised as an asset in the books of account and in the balance sheet, when the organisation has obtained control over the asset on the basis of the relevant acceptance documents.

4.9 If any quality changes in an item of inventories are established under SAS 4.6, they shall be recorded in the books of account.

4.10 An organisation shall derecognise an item of inventories as an asset in its books of account and the balance sheet when the item has been consumed, sold or ceases to exist for some other reasons as confirmed by relevant documents. An organisation shall keep separate records of inventories that have been subject to its own consumption.

(c) Initial Measurement of Inventories

4.11 On initial recognition, an item of inventories of materials and merchandise shall be measured at cost of comprising the purchase price, import duties and other non-refundable purchase taxes and direct costs of purchase. Non-refundable purchase taxes also comprise the non-refundable value added tax. The purchase price shall be reduced by trade discounts and rebates received.

4.12 On initial recognition, a unit of product or work in progress (other than inventories of a biological asset measured at fair value less costs to sell) shall be measured at costs of production, either in a broad or narrow sense of production cost, but may be measured at narrow cost price as one extreme or at variable production cost as the other extreme in appropriate circumstances. The inclusion of indirect costs in the cost of an item of inventories shall be related to bringing the inventories to their present location and condition. Borrowing costs incurred in connection with financing of inventories may also be included in the cost of inventories when there are long production processes, but this should not cause the cost of the inventory to exceed net realisable value.

On initial recognition, a unit of agricultural produce harvested from biological assets is measured at fair value less costs to sell at the time of harvesting. This value is the historical cost at the time of initial recognition of the inventories of produce. The gain or loss arising on the initial recognition of harvested agricultural produce at fair value less costs to sell is recognised in profit or loss through operating revenue and expenses.

Only in exceptional circumstances, when the fair value of harvested agricultural produce from an organisation's biological assets cannot be measured reliably, shall the harvested agricultural produce be valued in accordance with the first paragraph of SAS 4.12.

4.13 A breakdown of cost elements of an item of inventories shall be provided, especially for the part of production overheads that has the character of fixed costs and is not related to bringing the inventories to their present location and condition.
4.14 On initial recognition, the cost elements and the total cost of an item of inventory derive from the historical cost. Extraordinary costs of direct materials and direct labour, as well as extraordinary indirect costs shall not be included in the cost of an item of inventories. The allocation of fixed production overheads shall be based on the normal capacity of the production facilities that is property, plant, equipment and personnel.

4.15 If the prices of newly purchased items or the cost of newly produced items in the accounting period differ from the prices and/or the costs of items of inventory of the same class, the first-in, first-out (FIFO) method or the weighted average price method may be used to recognise declining quantities of inventories. Average prices can be calculated by the organisation for each additional receipt into inventories (moving weighted average price method) or for a period.

An organisation should immediately transfer low-value assets put in use to expenses or it may gradually transfer these assets during the accounting period no longer than one year to expenses.

4.16 If an organisation uses fixed (estimated, standard) prices to measure its inventories, variances shall be accounted for separately, by groups of related items of inventories or segregated for specific projects. Fixed price variances shall be determined in accordance with the current valuation of inventories under SAS 4.15.

4.17 The carrying amount of the inventories that were used up is an item of cost, while the carrying amount of inventories sold is an item of operating expenses. The same treatment applies to the amount of an inventory shortage for which no person can be held accountable.

(d) Revaluation of Inventories

4.18 The revaluation of inventories is an adjustment to their carrying amount. It may be carried out either at the end of or during the financial year.

4.19 Inventories shall be measured at the lower of historical cost and net realisable value.

Biological assets that are inventories (e.g. fattened livestock for slaughter, poultry for slaughter) shall be recognised both at initial recognition and at each end of reporting period at fair value less costs to sell, except in exceptional cases where fair value cannot be measured reliably.

4.20 The cost of inventories may not be fully recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs of sale have increased. If the carrying amount, including the amount stated at the latest actual cost of purchase or at cost prices, exceeds their net realisable value, it shall be written down to the net realisable value. Inventories shall be written down item by item or by a group of similar items of inventories separately.

4.21 Net realisable value of inventories held to satisfy firm sales contracts shall be based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess is based on general market prices.

4.22 Normal inventories of materials held for use in production need not be written down below historical cost, if the finished goods in which they will be incorporated are expected to be sold at or above historical cost. However, if the cost of the finished goods is expected to exceed the net realisable value, the materials shall be written down to net realisable value.

4.23 Any decline in inventories of raw and other materials as well as of low-value assets, inventories of work of progress, finished goods and merchandise shall be charged against the relevant operating expenses.

(e) Disclosure of Inventories

4.24 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

4.25 In addition to disclosures under SAS 4.24, the following shall be disclosed for each type of inventories:
(a) the accounting policies applied in measuring the inventories during and at the end of the period, including the cost formula used; and
(b) the carrying amount and net realisable value of inventories in classifications appropriate to the organisation.

4.26 The following shall be also disclosed:
(a) the inventory surplus and the inventory shortage; and
(b) the amount of write-downs of the inventories resulting from changes in their quality and changes in their value.

4.27 The carrying amount of inventories pledged as security for liabilities is also disclosed.

C Key Definitions

4.28 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) Materials in broader sense are raw materials and supplies, semi-finished products, components, spare parts, low-value assets as well as fuels and lubricants. If held for sale, wasted materials within the assets that were written off or within self-constructed assets are construed as materials.
(b) Low-value assets in broader sense are tools, devices and other equipment as well as separable packaging and similar items whose useful life is less than one year. Under low-value assets an organisation may also classify items of low-value assets whose useful life is more than one year and whose individual purchase price does not exceed EUR 500.

(c) Work in progress in broader sense comprises work in progress in places of production, self-constructed semi-finished products and components, awaiting use in the completion of finished goods, as well as wastes held for use in the production process.

(d) Products are finished goods in the form of objects held for direct sale yet still owned by the organisation. They include also that biological assets that are inventories.

(e) Agricultural produce is a harvested produce of the organisation's biological assets**.**

(f) Merchandise comprises purchased products held for sale.

(g) Import duties included in the cost of purchase comprise customs duty on import, input value added tax and possible other purchase taxes.

(h) Direct costs of acquisition include transportation and handling costs, transport insurance costs, specially charged packaging costs, costs of tracking goods, administration costs, commissions and similar costs to be paid by the customer.

(i) Production costs include direct costs of materials, direct labour costs, direct costs of services, direct depreciation and production overheads.

(j) Production overheads encompass the costs of materials, services, labour and depreciation, incurred in the production not directly attributable to products and services being produced.

(k) Production costs in narrow sense are the costs incurred in the very process of production, while **production costs in broader sense** are the production costs incurred in the course of and associated to the completion of the production process, also including purchasing overheads.

(l) Contracted full cost comprises production costs in narrow sense, purchasing overheads, selling overheads and general and administrative overheads, whereas direct selling costs and borrowing costs are not included; if borrowing costs are included, we refer to the amount as full cost.

(m) Variable production costs include both direct production costs and the variable portion of production overheads.

(n) Discounts on purchase price are exclusively the discounts, stated on the invoice; subsequently obtained discounts and rebates reduce operating expenses.

(o) Fixed (estimated, standard) price is the planned acquisition price or the amount of planned costs under SAS 4.12.

(p) Net realisable price is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs to sell.

(q) Borrowing costs comprise interest and other costs in connection with the borrowing of financial assets used for the acquisition of inventories.

(r) A biological asset is a living animal or plant**.**

(s) Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

(t) Costs to sell are the incremental costs directly attributable to the disposal of an asset or a cash-generating unit, excluding finance costs and income taxes. These costs comprise mainly legal costs, if any, duties, costs of removing the asset and direct incremental costs associated with preparing the asset for sale. Selling costs exclude transport and other costs necessary to bring the asset to market.

D Clarifications

4.29 Inventories of materials or merchandise delivered in the process of modification or completion shall be recorded in inventories held by their owner, and their value should be appreciated by the costs of completion/modification as well as by the value added tax that cannot be deducted as input value added tax, once the materials and the merchandise are returned to their owner. The organisation that has received inventories of materials or merchandise in the process of modification or completion does not own such inventories and therefore records them as off-balance-sheet items. The costs of modification or completion are charged to the owner and represent operating revenue of the organisation. Materials or merchandise handed over to sub-contractors shall be carried separately.

4.30 Inventories of products or semi-finished products delivered in the process of modification or completion shall be recorded in inventories held by their owner; when returned to the owner, their amount shall be increased by the costs of completion or modification, respectively. The organisation that has received inventories of products or semi-finished products in the process of modification or completion does not own such inventories and therefore records them as off-balance-sheet items. The costs of modification or completion are charged to the owner and represent operating revenue of the organisation.

4.31 Borrowing costs incurred in connection with work in progress and finished goods may be included in the amount of work in progress and finished goods, especially in lengthy production processes, for example in shipbuilding, construction and similar activities.

4.32 Both the cost of purchase of an existing building or the costs of compensation for an existing building to be torn down with the view of constructing a new building for the market, and the carrying amount of the existing building that is an item of property, plant and equipment that is to be removed for the sake of the new building for the market, represent the cost of site preparation; they are treated as the cost of materials and may, depending on the valuation method used, be included in the inventory unit price.

4.33 An estimate of the net realisable value shall be based on the most reliable evidence available at the time the estimate is made of the amount the inventories are expected to realise and shall not take into consideration fluctuations of price or costs.

4.34 Inventories shall be in its entirety written off if their selling has been permanently discontinued or their use prohibited.

4.35 Changes in the net realisable value of inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realisable value in accordance with the level of production, are recognised in profit or loss in the period of the change.

Changes in the fair value of inventories held by intermediaries that buy or sell merchandise on behalf of others or for their own account, and are measured at fair value less costs to sell are recognised in profit or loss in the period in which the change occurred.

4.36 In the case of self-consumption of biological assets held in inventories and harvested agricultural produce from biological assets, the organisation shall, in accordance with the SAS 4.10, keep separate records of its own consumption of such inventories.

E Date of Adoption and Effective Date

4.37 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.
From the date on which this Standard comes into effect, organisations shall cease to apply SAS 4 – Inventories (2006).

Slovenian Accounting Standard 5 (2016)

RECEIVABLES

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of receivables. It deals with:

(a) the classification of receivables;
(b) the recognition and derecognition of receivables;
(c) the initial measurement of receivables;
(d) the revaluation of receivables; and
(e) the disclosure of receivables.

This Standard does not deal with deferred costs.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 15, 17, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Receivables

5.1 Receivables are the rights, emanating from property and other legal relationships, to claim the settlement of a debt or the payment for deliveries or rendered services from a specific person. In any case, except in the case of advances made, there is a parallel between the contractual right of one party to receive money and the corresponding obligation of the other party to fulfil the obligation.

Investments are not considered to be trade receivables, but only those related to the financial income arising from them. Financial assets other than trade receivables are dealt with in SAS 3 Investments. Accruals and deferrals are classified as trade receivables only in a broad sense and are not covered by this Standard.

5.2 Receivables are predominantly amounts owed by customers or other providers of funds for goods sold and services provided; they may also be amounts owed by suppliers of business process elements, by employees, by those who participate in the distribution of profit or loss, by providers of funds and by users of investments and by the state. They also include trade receivables due from foreign operations, for indemnities and receivables from other business relationships.

5.3 Trade receivables are receivables due from customers in relation to the goods and merchandise sold and the services performed, as well as in relation to other assets sold; receivables due from other providers of funds for goods sold and services provided are mostly receivables due from the state in connection with government grants and subsidies.

5.4 Receivables due from the suppliers of business process elements are advances paid for items of property, plant and equipment, intangible assets, inventories of materials and services not yet provided, as well as overpayments made and collaterals given; receivables due from employees are advances paid to them, and compensation charges.

5.5 Receivables due from those who participate in the distribution of profit or loss are receivables due from the state and arising from tax refund, or receivables due from those who are obliged to contribute to the settlement of a loss. Receivables due from providers of funds mostly arise in connection with the subscribed capital due yet unpaid, whereas receivables due from users of investments appear in connection with accrued interest and shares in their net profit. A specific class of receivables constitute receivables due from the state in connection with input value added tax, and deferred tax assets due from the state.

5.6 Advances shall be recognised in the balance sheet in relation with items to which they relate. Advances paid for property, plant and equipment shall be stated in the same group as property, plant and equipment; advances paid for intangible assets are part of intangible assets, and advances paid for inventories are part of inventories.

5.7 In terms of maturity, receivables may be classified into long-term and short-term receivables. Such classification shall not be influenced by the recording of advances as assets under SAS 5.6, since they are usually short-term receivables. As a rule, short-term receivables shall be collected within one year. All other receivables are considered to be long-term receivables.

In the balance sheet, due yet unsettled long-term receivables and long-term receivables due within one year after the balance sheet date shall be carried as short-term receivables.

5.8 Receivables shall be classified into those related to consolidated subsidiaries, associates, jointly controlled entities and others. Such receivables shall be carried and accounted for separately also with the view to the preparation of consolidated financial statements. In the case of joint operations, receivables and the relevant shares in joint receivables shall likewise be carried and accounted for separately.

5.9 Receivables shall also be classified into those associated with domestic parties and those associated with parties from abroad.

5.10 Securities received in settlement of receivables are not part of receivables. Received cheques and readily realisable securities are part of cash, while received bills and securities with maturity at a later date are part of short-term of investments.

5.11 Receivables held for trading are part of short-term investments.

5.12 Receivables can be hedged by appropriate derivatives that are part of short-term investments or short-term financial liabilities.

(b) Recognition and Derecognition of Receivables

5.13 An item of receivables shall be recognised as an asset in the books of account and in the balance sheet, if:
(a) it is probable that the future economic benefits that are associated with the item will flow to the organisation; and
(b) its original amount can be measured reliably.

5.14 An item of receivables shall be recognised in the books of account and in the balance sheet as an asset on the basis of the relevant documents, when the organisation has obtained control of the contractual rights that comprise the asset, if the conditions of SAS 5.13 are met.

5.15 Deferred tax assets are recorded as long-term receivables.

5.16 Deferred tax assets and deferred tax liabilities shall be offset if, and only if, the organisation has a legal right to set off a current tax asset against a current deferred tax liability and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

5.17 Current tax receivables arise from all types of tax receivable from the government based on taxation regulations. Receivables due from the government include receivables for refunds of taxes paid by organisations abroad, as well as receivables for refunds of taxes paid abroad if they are based on tax regulations and the conditions for the recognition of receivables set out in paragraph 5.13 are met.

5.18 The recognition of a receivable as an asset in the books of account and in the balance sheet is derecognised if the contractual rights attaching to it are no longer controlled, and it is not controlled if the rights to the benefits specified in the contract are exhausted, extinguished or surrendered.

(c) Initial Measurement of Receivables

5.19 Receivables of all categories are initially recognised at amounts recorded in the relevant documents under the assumption that they will be recovered. Original receivables may subsequently be increased or reduced, for example as a result of subsequent discounts, returns of goods, or in respect of payment or other settlement received, by any amount justified by the contract.

5.20 Subsequent increases in receivables (other than advances made) generally increase the corresponding operating revenue or financial revenue.

5.21 Interest on receivables is financial revenue.

5.22 Subsequent reductions in receivables (other than advances), irrespective of payment or other settlement received, shall normally reduce the corresponding operating revenue or financial revenue.

(d) Revaluation of Receivables

5.23 The revaluation of receivables is of an adjustment to their carrying amount. A contractual increase or decrease in the carrying amount of receivables that results in a direct increase or decrease in their carrying amount is not considered revaluation. It may be made at or during the financial year-end. It arises mainly as revaluation of receivables due to their impairment or reversal of impairment, i.e. a decrease or perhaps subsequent increase in their value to their recoverable amount.

5.24 Receivables are usually measured at amortised cost.

5.25 Receivables expressed in a foreign currency shall be translated into the national currency at the balance sheet date. Any increase in receivables results in an increase in financial revenue, whereas any decrease in receivables results in an increase in financial expenses.

5.26 If there is objective evidence that an impairment loss has been incurred on an item of receivables carried at amortised cost, the amount of the impairment loss is measured as the difference between the carrying amount of that item of receivables and the present value of estimated future cash flows discounted at its effective interest rate (i.e. at the effective interest rate calculated on initial recognition). The carrying amount of that item of receivables shall be decreased through the allowance account. The loss shall be charged against revaluation operating expenses in relation to receivables.

Receivables believed not to be settled by their due date or in their full amount shall be considered as doubtful receivables or, in the case of litigation, as disputable receivables.

5.27 In case of receivables revalued to a lower realisable value, the revaluation loss is reduced in a subsequent period, and if possible the decrease can be related objectively to an event occurring after the revaluation to the revaluation loss previously recognised shall be reversed by restating the revaluation adjustment account.

The reversal shall not result in the carrying amount of the receivable being higher than the amount that would be the amortised cost if the revaluation to a lower recoverable amount would not have been recognised at the date when the loss is reversed. The amount of the loss reversal is treated as a revaluation operating income relating to receivables.

5.28 Deferred tax assets are not discounted.

(e) Disclosure of Receivables

5.29 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

5.30 Within operating receivables, unsecured and secured trade receivables need to be disclosed, as well as receivables due from the members of the management and supervisory boards and from internal owners. For secured receivables, the subject matter and value of the collateral shall be disclosed.

5.31 The accounting policy applied to impairment shall be disclosed for each class of receivables in line with SAS 5.38.

5.32 The following information shall be disclosed for each class of receivables:

(a) exposure to different types of risks; and

(b) the extent and nature of hedging financial instruments.

5.33 Classification of receivables in terms of their dates of maturity shall also be disclosed.

C Key Definitions

5.34 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Long-term receivables are the receivables which fall due within a period exceeding one year after the balance sheet date.

(b) Short-term receivables are the receivables which fall due within a period shorter than one year after the balance sheet date.

(c) The operating cycle is the time between the acquisition of an asset for use and its realisation in cash. When the organisation's operating cycle is not clearly identifiable, its duration is assumed to be one year. However, organisations in which the normal operating cycle exceeds one year shall classify their receivables (liabilities) that fall due in a period exceeding one year as short-term receivables (liabilities). As appropriate, such classification shall also be taken into consideration when preparing the balance sheet.

(d) A credit sale is the sale of goods and services not paid for by the customer at the moment of transfer.

(e) Doubtful receivables are receivables not believed to be settled or to be settled in their full amount.

(f) Disputable receivables are receivables that have caused a dispute between the creditor and the debtor to be litigated in court.

(g) Collateral is a valuable asset pledged by a debtor as security in case the promise to pay the creditor is not kept. The debtor shall carry the collateral under receivables, while the creditor records the received collateral as a liability which falls due on the date on which the receivables have been settled.

(h) Deposit is the amount of money or other consideration which, at the time of the conclusion of a contract, is given by one party to the other party as an indication that the contract has been concluded and that its performance is assured.

(i) An advance is a payment made to a supplier in advance for a liability that is not yet due. The customer shall carry an advance under receivables due from the supplier, while the supplier shall record it as a liability to the customer.

(j) An overpayment is an excess amount paid to settle a liability, resulting in a relevant item of receivables with the payer; it is usually caused by an error.
(k) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(l) The amortised cost of receivables is the amount at which an item of receivables is measured on initial recognition, minus principal repayment, and minus the revaluation to a lower collectability value.

D Clarifications

5.35 Some receivables accruing independently of a purchase or a sale transaction may also be associated with the generation of financial revenue, even though they are not investments, for example, interest and dividend receivables.

5.36 Receivables of significant amounts that do not bear interest shall be carried in the balance sheet at a discounted amount, taking into consideration the average interest rate achieved by the organisation in comparable transactions. Such receivables need not be discounted if it is expected at the time the creditor relationship that the period to final maturity of the receivable is less than one year.

Interest-bearing receivables are stated in the balance sheet at their initial recognised amount less any repayments and revaluation or uncollectability, taking into account discounting at the effective or agreed interest rate.

5.37 Any subsequent increase or decrease in receivables under SAS 5.19 and 5.23 are predominantly changes in the amount of receivables due to subsequent discounts and rebates, return of goods or products sold, acknowledged complaints, and subsequently discovered defects.

5.38 Allowances for receivables that the organization estimates may not be recoverable in full are provided for individually for significant receivables and may be provided for other receivables as a percentage based on experience of previous years and future expectations. Allowances for receivables reduce the carrying amount of receivables and increase revaluation operating expenses, except for adjustments for interest or dividend receivables which increase revaluation financial expenses.

5.39 The foreign exchange rate under this Standard is the reference rate of the European Central Bank; for justified reasons, the relevant exchange rate of a commercial bank may also applied.

E Date of Adoption and Effective Date

5.40 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 5 – Receivables (2006) and Interpretations to SAS 5 (2006).

Slovenian Accounting Standard 6 (2016)

INVESTMENT PROPERTY

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of investment property. It deals with:

(a) the classification of investment property;
(b) the recognition and derecognition of investment property;
(c) the initial measurement of investment property;
(d) the revaluation of investment property; and
(e) the disclosure of investment property.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1, 8, 14, 15, 17, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Investment Property

6.1 Investment property is property held to earn rentals and/or to increase the value of a long-term investment.

6.2 Investment property is:

(a) land held for the purpose of increasing the value of a long-term investment and not for sale in the near future in the ordinary course of business;

(b) land for which the organisation has not determined the future use;

(c) buildings owned or leased on one or more operating leases; and

(d) buildings that are vacant but held to be leased out under one or more operating leases.

6.3 Judgement is needed to determine whether a property qualifies as investment property. An organisation develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property.

(b) Recognition and Derecognition of Investment Property

6.4 Investment property shall be recognised as an asset when:

(a) it is probable that the future economic benefits that are associated with the investment property will flow to the organisation; and

(b) the cost of the investment property can be measured reliably.

6.5 An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

(c) Initial Measurement of Investment Property

6.6 An investment property that qualifies for recognition shall initially be measured at its cost. The cost comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, borrowing costs and other transaction costs.

Borrowing costs directly attributable to the acquisition of investment property are included in the cost of investment property until it is ready for use, if this is more than one year. Cost may also include costs incurred in connection with leases of assets used for the construction, extension, replacement of parts or renovation of investment property (for example, depreciation of assets) that represent the right to use them.

6.7 The cost of a self-constructed property is its cost at the date when the construction or development is complete.

6.8 At the commencement date, the lessee recognises an interest in the investment property that represents the right to use it and a lease liability. For the initial accounting for the lessee's right to use investment property and lease liability, the SAS 1.27 shall be applied mutatis mutandis.

6.9 The cost of the investment property acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, where the monetary portion is insignificant in relation to the total cost, is measured at fair value unless:

(a) the exchange transaction lacks commercial substance; or

(b) the fair value of neither the asset received nor the asset given up is reliably measurable.

An exchange transaction has commercial substance if:
(a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred, or
(b) the organisation-specific value of the portion of the organisation's operations affected by the transaction changes as a result of the exchange, and
(c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

For the purpose of determining whether an exchange transaction has commercial substance, the organisation-specific value of the portion of the organisation's operations affected by the transaction shall reflect post-tax cash flows.

6.10 If the asset received in exchange is not measured at fair value, its cost is measured at the carrying amount of the asset given.

Investment property acquired with government support or a grant is stated at cost or, if that is not known, at fair value.

6.11 For the measurement of investment property after recognition, an organisation shall choose as its accounting policy either the cost model or the fair value model and shall apply the selected policy for all of its investment property. If a lessee applies the fair value model to investment property, it applies that model also to right-of-use assets.

6.12 Investment property shall be measured at the cost model in accordance with SAS 1.

(d) Revaluation of Investment Property

6.13 Revaluation of investment property is the adjustment to its carrying amount because the fair value model has been applied and a decrease in its carrying amount due to impairment. Impairment of investment property measured using the cost model is governed by SAS 17 Impairment of Property, Plant and Equipment and Intangible Assets.

6.14 The investment property whose fair value can be reliably measured and for the measurement of which after recognition an organisation has chosen the fair value model shall after recognition be measured at fair value.

Gain or loss arising from a change in the fair value of an investment property shall be recognised in profit or loss in the period in which it arises. The gain or loss shall be recognised in profit or loss for the period in the amount attributable to that period.

6.15 The fair value of investment property is determined in accordance with IAS 16 – Identification and Measurement of Fair Value.

6.16 If an organisation has selected the fair value model and the fair value of an investment property can no longer be reliably measured by using that model, the organisation shall apply the cost model in accordance with SAS 1.

(e) Disclosure of Investment Property

6.17 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

6.18 In relation to investment property, an organisation shall disclose:

(a) whether it applies the fair value model or the cost model;

(b) the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, if the distinction is difficult;

(c) the extent to which the fair value of investment property is based on an estimate of value by a certified valuer; if there has been no such estimate of value, that fact shall be disclosed;

(d) the amounts recognised in profit or loss for rental income from investment property, direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period and direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period;

(e) changes in carrying amount from the beginning to the end of the period (due to acquisitions, reclassifications, disposals, depreciation, amortisation, revaluations);

(f) the effect on profit or loss of transfers to property accounts under SAS 6.28 and 6.29.

6.19 If an organisation measures investment property using the fair value model, it shall, in addition, disclose reconciliation between the carrying amounts of investment property at the beginning and at the end of the period.

6.20 If an organisation measures investment property using the cost model, it shall, in addition, disclose:

(a) the depreciation methods used;

(b) the useful lives or the depreciation rates used;

(c) the cost and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and at the end of the period;

(d) a reconciliation between the carrying amounts at the beginning and at the end of the period; and

(e) the fair value of investment property.

6.21 In cases referred to under SAS 6.16, when an organisation cannot reliably measure the fair value of investment property, it shall disclose

(a) a description of the investment property;

(b) an explanation of why fair value cannot be determined reliably; and

(c) if possible, the range of estimates within which fair value is highly likely to lie.

SAS 1.45 may be applied mutatis mutandis for the disclosure of investment property acquired by way of lease.

C Key Definitions

6.22 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for: use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

(b) Owner-occupied property is property held (by the owner or by the lessee as a right-of-use asset) for use in the production or supply of goods or services or for administrative purposes.

(c) Carrying amount is the amount at which an asset is recognised in the balance sheet.

(d) Cost is the amount of cash or cash equivalents paid or fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount, attributed to the asset on initial recognition.

(e) Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds for the acquisition of investment property. These are the costs that could be avoided if the expenditure on the qualifying asset had not been incurred. To the extent that an organisation borrows funds specifically for the purpose of obtaining a qualifying asset, the organisation shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. An organisation does not begin to capitalise borrowing costs as part of cost until the following conditions are met:

(a) it incurs expenditures for the asset;

(b) it incurs borrowing costs; and

(c) it undertakes activities that are necessary to prepare the asset for its intended use.

An organisation shall suspend capitalisation borrowing costs when the activities necessary for the intended use are completed.

(f) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (See SAS 16 – Identification and Measurement of Fair Value).

D Clarifications

6.23 Investment property is:

(a) land held for the purpose of increasing the value of a long-term investment and not for sale in the near future in the ordinary course of business;

(b) land or which the organisation has not determined the future use;

(c) a building owned by an organisation or asset representing the right-of-use under a contract for the operating lease of the building leased on one or more operating leases (acquire);

(d) a building that is vacant but held to be leased out under one or more operating leases; and

(e) property being constructed or developed for future use as investment property.

6.24 Investment property, for example, is not:

(a) property held for sale in the ordinary course of business or under construction or development for such sale (see SAS 4 Inventories), for example, property acquired solely for subsequent disposal in the foreseeable future or for development and resale;

(b) property constructed or developed for the benefit of third parties (see SAS 4 Inventories);

(c) owner-occupied property (see SAS 1 Property, Plant and Equipment), including (but not limited to) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property used by employees (with or without the payment of market rents) and owner-occupied property awaiting disposal; and

(d) property held under finance leases to other organisations.

6.25 An organisation shall treat property that is being constructed or developed for future use as investment property under construction or development. This Standard also applies to existing investment property that has been discontinued in the past and is being redeveloped for future use as investment property.

6.26 In the case of some property, one part is held to earn rental income or to increase the value of long-term investments and another part is held for use in the production or supply of goods or services or for administrative purposes. If such parts can be sold separately (or leased separately), the organisation accounts for them separately. If the parts cannot be sold separately, the property is investment property only if an insignificant part is held for use in the production or supply of goods or services or for administrative purposes.

6.27 If a leased property is treated as investment property in accordance with this Standard and the fair value model is used, land and buildings need not be measured separately.

If the carrying amount of investment property will be recovered principally through sale rather than through use, the property is classified as a non-current asset held for sale. Such a non-current asset is measured at the lower of its carrying amount and fair value less costs to sell.

6.28 Transfers to, or from, investment property accounts shall be made when, and only when, there is a change in use of the investment property, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property accounts to owner-occupied property accounts;

(b) commencement of development with a view to sale, for a transfer from investment property accounts to inventories accounts;

(c) end of owner-occupation, for a transfer from owner-occupied property accounts to investment property accounts; or

(d) commencement of an operating lease to another party, for a transfer from inventories accounts to investment property accounts.

6.29 For transfers from investment property accounts carried at fair value to owner-occupied property or inventories, the deemed cost of the property in subsequent accounting under either SAS 1 or SAS 4 is its fair value at the date of change in use.

If an owner-occupied property becomes investment property that will be accounted for at fair value, an organisation shall apply SAS 1 until the date of change in use. An organisation shall treat any difference between the carrying amount of a property under SAS 1 and its fair value at that date as a revaluation under SAS 1.

For transfers from inventory accounts to investment property accounts that will be accounted for at fair value, any difference between the fair value of the investment property at the date of transfer and the carrying amount at which it was carried in inventories before it was classified as investment property shall be recognised in profit or loss.

When the construction or development of an internally generated investment property to be carried at fair value is complete, any difference between the fair value of the investment property at the date of transfer and its carrying amount shall be recognised in profit or loss.

6.30 A lessee organisation may elect to account for leases of investment property in a manner consistent with that specified in SAS 1.63.

An organisation shall make a transfer to this Standard, to the extent that it relates to changes in the scope of leases, in the same manner as specified in SAS 1.68.

6.31 A gain or loss on the retirement or disposal of investment property shall be determined as the difference between the net realisable value on disposal and the carrying amount and shall be recognised in profit or loss. Compensation given by third parties for investment property that has been impaired, lost or abandoned is recognised in profit or loss when a receivable is established.

E Date of Adoption and Effective Date

6.32 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 6 – Investment Property (2006).

SLOVENSKI INŠTITUT za REVIZIJO

Slovenian Accounting Standard 7 (2016)

CASH

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of cash. It deals with:

(a) the classification of cash;
(b) the recognition and derecognition of cash;
(c) the initial measurement of cash;
(d) the revaluation of cash; and
(e) the disclosure of cash.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 5, 6, 9, 11, 20, and 22.
The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Cash

7.1 Cash is legal tender used as a medium in the exchange of products and services within a commodity-based economy, market and division of labour. Cash comprises ready cash, deposit money and cash in transit.

7.2 Ready cash is cash on hand in the form of bank notes (paper money), and coins.

7.3 Deposit money is cash in bank accounts or deposited with another financial institution to be used for payments.

7.4 Cash in transit is the cash being transferred from a cash register to a relevant account in a bank or another financial institution, until it is credited to that account with the bank.

7.5 Cash is also classified as cash equivalents. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This may include short-term deposits, and bank deposits (for example, with maturity not exceeding three months from the date of acquisition) and similar investments not intended to become investments, but rather to provide liquidity or solvency. Cash equivalents also include low-risk, readily cashable debt securities that are listed on a regulated market (government bonds, treasury bills and similar) and readily cashable cheques receivable.

7.6 Cash includes neither cheques issued, which are a deduction item of cash, nor cash in transit being transferred from a bank account to other appropriate accounts and not credited to those accounts. Agreed bank overdrafts are also not included as a component of cash.

7.7 Monetary values (for example postage stamps) kept in a cash register shall not be stated under cash; instead, they shall be carried as short-term deferred costs (under short-term accrued revenues and deferred costs).

7.8 Cash in national and foreign currency in a cash register and in own accounts with banks and other financial institutions is accounted for separately.

(b) Recognition and Derecognition of Cash

7.9 An item of cash shall be recognised in the books of account and in the balance sheet if:
(a) it is probable that the future economic benefits that are associated with the asset will flow to the organisation; and
(b) the cost of the asset can be measured reliably.

7.10 An item of cash shall be recognised in the books of account and in the balance sheet on the basis of relevant documents providing evidence that the organisation has obtained control of the contractual rights that comprise the item of cash.

7.11 Recognition of an item of cash in the books of account and balance sheet shall be derecognised if the rights attaching to it are no longer controlled. The rights related to cash are no longer controlled, if they are used up, if they expire or are assigned.

(c) Initial Measurement of Cash

7.12 An item of cash, after it has been verified to be of that nature, shall initially be recognised at the amount arising from the relevant document. An item of cash expressed in a foreign currency shall be translated into the national currency at the exchange rate effective at the date of the receipt.

7.13 The carrying amount of an item of cash is equal to its initial nominal amount until the need for its revaluation arises.

(d) Revaluation of Cash

7.14 The revaluation of cash is the recognition of an adjustment in its carrying amount; it may be carried out either at the end of or during the financial year. It only arises in association with cash expressed in foreign currencies if the foreign exchange rate changed after the initial recognition. An exchange difference arising on revaluation may increase or decrease the amount initially recorded; however, in the first case, financial revenue relating to cash is recognised, in financial expenses relating to cash, but not revaluation financial revenue or revaluation financial expenses.

(e) Disclosure of Cash

7.15 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this

Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

7.16 An organisation shall disclose the components of cash as well as the agreed bank overdrafts by which an organisation can secure its current liquidity.

C Key Definitions

7.17 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Cash in accounting terms comprises cash, deposit money, cash in transit and cash equivalents. This is a broader recognition of cash, also including the assets that can be readily or in the near future converted into cash as a means of payment for the settlement of liabilities or for any other purpose directly and without any limitations.

(b) A monetary item is a term with a wider meaning than cash; In addition to cash, the term includes cash receivables and liabilities, whereas all other assets and liabilities are non-monetary items.

(c) Agreed bank overdraft is the amount up to which an organisation may, upon agreement with the bank, overdraw its current account. In business finance terms, such loan is part of aggregate available cash.

(d) A financial instrument is any contract that gives rise to a financial asset of one organisation and a financial liability or equity instrument of another organisation.

(e) A financial asset is any asset that is:

(a) cash;

(b) a contractual right to receive cash or another financial asset from another organisation;

(c) a contractual right to exchange financial assets with another organisation under conditions that are potentially favourable;

(d) equity instrument of another organisation; or

(e) a contract that will or may be settled with the organisation's own equity instruments.

D Clarifications

7.18 Cheques and bills of exchange received for collection and/or own bills of exchange issued may be used as payment instruments by endorsement, i.e. exclusively upon the creditor's approval, which is particularly the case when the debtor is an eminent bank. An organisation may obtain cash on the basis of bills of exchange received for collection and/or own bills of exchange issued; however, the amount of cash received is the nominal amount of bills less interest accrued to maturity and commission charged if a bank agrees to purchase them. The own bills of exchange issued are actually bank loans obtained on their basis. A bill of exchange received for collection is converted into cash on its maturity on the basis of a payment request presented to the principal debtor or any joint debtor; this shall also be recorded in the books of account.

7.19 Monetary values, such as postage stamps, fiscal stamps, public transport commuter tickets, meal vouchers and others are not held by organisations to be converted into cash, but rather to simplify some specific payments associated with the different purposes they serve. Consequently, they shall not be accounted for as cash, even though they are kept in a safe deposit box; thus, they shall be carried separate from cash.

7.20 The foreign exchange rate under this Standard is the reference exchange rate of the European Central Bank; for justified reasons, the relevant exchange rate of a commercial bank may also be used.

E Date of Adoption and Effective Date

7.21 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.
From the date on which this Standard comes into effect, organisations shall cease to apply SAS 7 – Cash (2006).

Slovenian Accounting Standard 8 (2016)

EQUITY

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of equity. It deals with:

(a) the classification of equity,
(b) the recognition and derecognition of equity,
(c) the initial measurement of equity,
(d) the revaluation of equity, and
(e) the disclosure of equity.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1–7, 9–11, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D) and the Introduction to the Slovenian Accounting Standards and the Framework (2016).

B The Standard

(a) Classification of Equity

8.1 Total equity of an organisation is the organisation's liability to owners which falls due if the organisation ceases to operate, whereby the amount of equity shall be adjusted with respect to the then attainable price for the organisation's net assets. It is determined by both the amounts invested by owners and the amounts generated in the course of operation that belong to the owners. It is reduced by the loss incurred in the course of operation, by purchased own shares and interests and by cancellations (distributions).

8.2 Total equity consists of called-up capital, capital surplus, revenue reserves, revaluation surplus, fair value reserves, retained earnings or retained net loss, and temporarily undistributed net profit or unsettled net loss for the financial year.

8.3 Depending on the nature of the organisation, nominal capital may appear as:

– share capital,
– participating interest, or
– equity contribution.

Nominal capital is disaggregated into called–up capital and uncalled capital. Uncalled capital shall be deducted from the nominal capital.

Share capital appears in stock corporations, participating interests in other companies, and equity contributions in sole proprietorships.

8.4 Share capital is classified as ordinary share capital, preference share capital and share capital raised through individual share issues.

8.5 Capital surplus consists of the amounts acquired by an organisation through payments in excess of the minimum issue price of shares or amounts of founding shares, the amounts in excess of the carrying amount gained on disposal of the previously purchased own shares or interests (share premium), the amounts obtained by an organisation with the issue of convertible bonds or warrant bonds sold at a premium over their nominal value, the amounts of additional paid-in capital by company members with the purpose of acquiring additional rights arising from their shares or interests, amounts of other payments made by the company members on the basis of the articles of association (for example, subsequent contributions by company members), and amounts arising from a simplified decrease in nominal capital by cancellation of shares or interests and amounts arising from the reversal of the general equity revaluation adjustment, and amounts resulting from the termination or reduction of liabilities in a compulsory settlement in excess of the amount of the loss carried forward.

For an acquiring organisation in a jointly managed business combination, capital reserves (paid-in capital surplus) also include amounts arising from the accounting for the business combination using the carrying amounts method of the assets and liabilities of the acquiree.

8.6 Revenue reserves are retained earnings from previous periods earmarked for specific purposes, primarily to settle potential future losses. They must be classified into legal reserves, reserves for own shares or interests, statutory reserves and other revenue reserves.

8.7 Retained earnings comprise the remaining part of the net profit from previous periods that has neither been distributed to equity holders in the form of dividends or other interests nor earmarked as reserve. Retained net loss is the loss that has not been covered by the net profit for the financial year and by accumulated other components of equity, primarily reserves or retained earnings; as such, the loss reduces total equity.

8.8 Revaluation surplus relates to the increase in the carrying amount of property, plant and equipment adjusted under the revaluation model.

The fair value reserve relates to increases or decreases in the carrying amount of investments, actuarial gains or losses on retirement benefits and the amount of any evidenced gain or loss on a change in the fair value of available-for-sale financial assets that is not part of a hedging relationship.

(b) Recognition and Derecognition of Equity

8.9 The recognition of individual components of equity for accounting purposes is to be distinguished from the actual recognition of equity as the residual assets after deducting all liabilities. Usually, the amount of total equity is only accidentally identical to the total market value of shares outstanding or to the amount for which the organisation's net assets could be sold in the market either individually or in their entirety as a going concern.

8.10 Nominal capital shall be recognised when the contributions in cash and in kind are received by the organisation and when, on a transitional basis, receivables due from subscribers to shares arise. What is decisive for the recognition is not the amount of the authorised capital, paid-in capital or outstanding equity, but rather the subscribed capital.

8.11 Subscribed but not paid-in shares and interests are part of nominal capital, also recognised in the relevant receivables due from shareholders or subscribers to shares or interests. In financial analyses, the unpaid capital shall be deducted from total equity.
Own shares and interests purchased from previous owners are part of total equity and shall be deducted from it.

8.12 Share premium as a component of capital surplus shall be recognised on the first sale or subscription of shares, as the case may be, regardless of whether or not receivables due from subscribers, on a transitional basis, also arise at that time. Share premium also arises from the resale of previously purchased own shares or interests as the excess of their sales value over their cost or carrying amount. Capital surplus (share premium) shall likewise be recognised in a limited liability company when, at the time of its establishment or of the increase in its nominal capital, the company members pay in the founders' contributions in cash or in kind whose value exceeds their nominal amount.

8.13 Revenue reserves shall be recognised when determined by the body preparing the annual report and/or by the resolution adopted by the competent body.

8.14 Retained earnings shall be recognised when the resolution on the distribution of accumulated profit for an individual financial year is adopted and after the amounts needed to cover the losses from prior periods, the amounts earmarked for reserves, and the interests of equity holders were excluded. The retained net loss shall be recognised by an organisation when it cannot be covered in full from the reserves, and upon the resolution on its settlement from the cumulative amount of other components of equity, primarily from retained earnings. The retained net loss for the organisation acquirer in a business combination under common control is also increased directly by amounts arising from the accounting for the business combination using the carrying amount method for the assets and liabilities of the acquiree.

8.15 Revaluation surplus and fair value reserves shall be recognised on the basis of the revaluation of or measuring assets at fair value at the end of or during the financial year.

8.16 Temporarily undistributed net profit or temporarily unsettled net loss for the financial year shall be recognised on the basis of the necessary calculations made for the financial year.

8.17 Individual components of total equity shall be derecognised in the books of account and in the balance sheet when they were used up for justified reasons.

(c) Initial Measurement of Equity

8.18 Nominal capital and capital surplus (share premium) are stated as contributions in cash or in kind and, on a transitional basis, as receivables due from subscribers.

8.19 Nominal capital shall be decreased by the minimum issue value of the purchased and subsequently cancelled own shares or interests; when the shares were purchased at a premium price, other components of total equity shall simultaneously be decreased by the difference. When the shares were purchased at a lower price, capital surplus shall be formed by the difference. When the cancelled own shares or interests were acquired free of charge, or the shares were cancelled to the debit of net profit or retained earnings or statutory reserves or other revenue reserves, capital surplus shall be increased by the amount equal to the decrease in the nominal capital (to the extent of the issue price of own shares or own interests).

(d) Revaluation of Equity

8.20 The revaluation of equity is the adjustment to its carrying amount resulting from the revaluation of property, plant and equipment or measurement of investments at fair value. The accrual of new amounts paid in or paid out and of amounts arising from the current net profit or loss are not considered to be revaluation.

8.21 Revaluation surplus results from the increase in the carrying amount of property, plant and equipment; it shall be separately presented in terms of accrual. It enables the organisation to balance any subsequent decreases in the carrying amount or impairment of property, plant and equipment.

8.22 Reserves formed for the valuation of investments at fair value arise from the measurement of investments at fair value and are adjusted for changes in fair value. They are eliminated through the income statement or through retained earnings or retained loss.

(e) Disclosure of Equity

8.23 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

8.24 An organisation shall separately disclose for each class of share capital:
(a) the number of shares issued and fully paid, and issued but not fully paid;
(b) the nature of shares (rights, preferences and restrictions attaching to that class of shares), including restrictions on the distribution of dividends;
(c) the issue of new shares, reverse split of shares, split of shares, cancellation of shares and changes in the nature of shares;
(d) the number of purchased own shares and of shares held by other consolidated entities; and
(e) data on shares reserved for issue under options (to allow the holders of convertible bonds to exercise their rights to exchange them for shares or to allow for the pre-emptive rights to acquire new of shares).

8.25 An organisation shall describe the nature and purpose of all types of reserves.

8.26 An organisation shall disclose the amount of dividends associated with cumulative and/or preference shares that have not yet been paid out.

8.27 An organisation shall also disclose any other material data and information in relation to the status of and changes in the components of equity.

C Key Definitions

8.28 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Total equity is the capital with which the owners finance an organisation. In stock corporations it may also be referred to as shareholders' equity, i.e. the equity belonging to the shareholders; it consists of several components one of them being the nominal capital, i.e. the share capital that determines the ownership of the organisation.

(b) Authorised capital is the amount of equity stated as such in the articles of association up to which the management may increase the share capital, subject to the approval of the supervisory board.

The authorised capital shall not be recognised in the books of account and in the balance sheet; instead, it shall only be stated in the notes to the balance sheet.

(c) Subscribed capital in a stock corporation is the amount of shares issued; in the books of account and in the balance sheet it shall be recognised nominal capital regardless of whether or not the shares have been paid-in.

(d) Paid-in capital in a stock corporation is the difference between the subscribed shares and the shares not yet paid; in a limited liability company it is the difference between the subscribed capital and the capital shares that have not yet been fully paid.

(e) Outstanding equity in a stock corporation is the difference between the subscribed equity and the repurchased own shares. It may also be named the outstanding share capital.

(f) Ordinary shares are part of share capital. Their owners are entitled to participate in the management of the organisation. Ordinary shares participate in the net profit of the organisation only after the dividends on preference shares have been paid.

(g) Preference shares are part of share capital. Their owners are usually not entitled to participate in the management of the organisation. If the organisation has generated sufficient net profit, dividends on preference shares are paid at a specified percentage or amount.

(h) An equity instrument is any contract that evidences a residual interest in the assets of an organisation after deducting all of its liabilities.

(i) Retained earnings are the retained net profit that has not been distributed.

D Clarifications

8.29 When during the year nominal capital is increased by contributions in kind, these shall be recorded as assets as of the date of their receipt.

Up to the date of the entry of equity into the court register, contributions in cash or in kind shall be recognised as liabilities. Nominal capital is increased by that amount on the date of the entry into the court register, and as from that date the increase shall also be recognised in the books of account.

8.30 If an organisation repurchases its own shares or interests, those shall be deducted from equity. No gain or loss shall be recognised in the income statement on the purchase, sale, issue or cancellation of own shares and interests; instead, any differences shall be charged against equity.

8.31 Liabilities associated with dividends shall not be recognised separately as a component of equity; instead, they shall be recognised as financial liability, as soon as the net profit has been distributed.

Only the undistributed net profit, before it is distributed to shareholders, allocated to reserves and so forth, is a component of equity.

8.32 All other components of total equity belong to the owners of the organisation's nominal capital in proportion with their equity interests in the nominal capital.

E Date of Adoption and Effective Date

8.33 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 8 – Equity Capital (2006).

Slovenian Accounting Standard 9 (2016)

LIABILITIES

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of operating and financial liabilities. It deals with:

(a) the classification of liabilities;
(b) the recognition and derecognition of liabilities;
(c) the initial measurement of liabilities;
(d) the revaluation of liabilities; and
(e) the disclosure of liabilities.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 8, 14, 15, and 20.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Liabilities

9.1 Liabilities are recognised obligations of an organisation associated with the financing of its assets the settlement of which is expected, usually by payment in cash. Deferred tax liabilities are recognised as a specific class of liabilities.

9.2 Liabilities may be either financial or operating. Financial liabilities result from lenders' input of cash into an organisation or from their settlement in cash of an organisation's operating liabilities, while operating liabilities result from the suppliers' input into an organisation of elements required in the manufacturing of products and rendering of services. In addition, there are other liabilities, assumed from other entities.

9.3 Financial liabilities comprise loans received on the basis of loan contracts and debt securities issued other than cheques issued that are considered a deductible item of cash. Deposits repayable in a period longer than one year may also be regarded as a sub-category of loans received, and so can the liabilities to lessors arising from a finance lease.

9.4 Operating liabilities are supplier credits for goods or services purchased, payables to employees for their work performed, liabilities to providers of funds arising from interest and similar items, liabilities to the state arising from public charges imposed by law or otherwise as a general compulsory and thus include taxes, contributions, excise duties and other compulsory public charges. A specific sub-class of operating liabilities are liabilities to customers arising from advances and collaterals received.

9.5 Liabilities are classified as liabilities to consolidated organisations and liabilities to others. Liabilities are also broken down into those involving banks and other legal and natural persons as providers of funds.

9.6 The value of liabilities may be hedged by appropriate derivative financial instruments classified as financial investments or financial liabilities.

(b) Recognition and Derecognition of Liabilities

9.7 A liability shall be recognised in the books of account and in the balance sheet if:
(a) it is probable that an outflow of resources embodying economic benefits will result from its settlement; and
(b) the amount at which the settlement will take place can be measured reliably.

9.8 A financial or operating liability shall be recognised in the books of account and in the balance sheet when the obligation arises under a contract or another legal act, taking into account the contractual date or the date of cash receipts or statements of accounts associated with them.

9.9 The recognition of liabilities shall be reversed in the books of account and in the balance sheet if the obligation stipulated in a contract or another legal instrument has been fulfilled, annulled or barred by limitation (and the organisation does not intend to settle it).

9.10 An exchange between a borrower and lender of debt instruments with substantially different terms shall be accounted for as a cancellation of the old debt resulting in the derecognition of this debt and the recognition of a new debt instrument. A substantial modification of the terms of an existing debt instrument (attributable to financial difficulties of the debtor) shall be accounted for as an exchange of the old debt.

(c) Initial Measurement of Liabilities

9.11 Liabilities are initially recognised at the amounts arising from the relevant documents, which in the case of financial liabilities evidence the receipt of cash or the settlement of an operating liability, while in the case of operating liabilities the relevant document usually evidences the receipt of a product or good, or a service rendered, or work performed, or costs charged, expense or share of profit or loss, or the receipt of property, plant and equipment with a long-term repayment.

9.12 Liabilities shall be increased by accrued interest or reduced by the amounts paid and by possible other ways of settlement if so agreed with creditors. Liabilities can also be directly increased at a later date, or also be reduced, irrespective of payment or other settlement made, by the amount agreed with creditors (for example, subsequent discounts, agreed at the time of the transaction; returns of goods sold and acknowledged complaints and subsequently identified defects). In the case of a purchase on a deferred payment basis and when the contractual time for payment is exceeded, the portion of the debt that is interest is regarded financial expense rather than as a component of the value of the item or service purchased.

Subsequent reductions of liabilities (except for advances and collaterals received) in accordance with an agreement with creditors (for example, subsequent discounts, returns of goods sold and acknowledged complaints and subsequently identified defects), but not by payments made or other settlements, reduce the corresponding costs or operating or financial expenses.
9.13 Liabilities associated with the issue of debt securities, shall be recognised upon the first payments made by the customers.

9.14 On the exchange of a liability, the difference in the recognised amount shall be recorded as financial revenue or financial expense. This principle also applies when a financial liability is transferred or assigned to another person.

9.15 Borrowing costs in connection with liabilities are financial expenses, except if they are included in the cost of property, plant and equipment and of intangible assets, or in inventories of products and work in progress.

9.16 Liabilities are normally measured at amortised cost using the effective interest method.

(d) Revaluation of Liabilities

9.17 Liabilities expressed in a foreign currency shall be translated into national currency at the balance sheet date.

An increase in liabilities due to exchange rate differences increases financial expenses and a decrease in liabilities increases financial revenue.

(e) Disclosure of Liabilities

9.18 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

9.19 Within liabilities incurred, an organisation shall disclose unsecured liabilities and secured liabilities.

9.20 An organisation shall disclose for each class of liabilities:
(a) the time period to maturity;
(b) the interest rate and other terms and conditions under which they were assumed.

9.21 The following information shall be disclosed for each class of liabilities:
(a) exposure to different types of risks; and
(b) the extent and nature of hedging financial instruments.

9.22 With regard to the interest rate risk exposure an organisation shall disclose the contractual interest rate adjustment or payment terms, whichever occurs first.

9.23 With regard to credit risk exposure an organisation shall disclose:
(a) the amount that best represents its maximum credit risk exposure at the balance sheet date, without taking account of the value of any collateral, in the event of other parties failing to perform their obligations under financial instruments; and
(b) significant concentrations of credit risk.

9.24 An organisation shall disclose its liabilities to members of its management and supervisory board, and to its internal owners.

C Key Definitions

9.25 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) A long-term liability is a liability which, in accordance with a contract or other legal instrument, is expected to be settled within a period of more than one year.
(b) A short-term liability is a liability which, in accordance with a contract or other legal instrument, is expected to be settled within one year or that is already due for payment at the balance sheet date.
(c) The operating cycle of an organisation is the time between the acquisition of an asset for use and its realisation in cash. When the organisation's operating cycle is not clearly identifiable, its duration is assumed to be twelve months. However, organisations in which the normal operating cycle exceeds one year shall classify their receivables (liabilities) that fall due in a period exceeding one year as short-term receivables (liabilities). As appropriate, such classification shall also be taken into consideration when preparing the balance sheet.
(d) Crediting implies granting a credit which allows the debtor to receive goods or services on deferred payment or against a deferred counter delivery.
(e) Lending implies providing money or other equivalents, whereby the debtor undertakes to repay equal amounts of cash or equal quantities of other equivalents upon expiry of a specific period of time.
(f) Collateral received is an asset received by a creditor as security that his debtor will fulfil his obligations. For the debtor, the security given is recorded as a receivable, and for the creditor, the security received is recorded as a liability that becomes due and payable upon settlement of the receivable. If the creditor is restricted in selling or repledging the security because the debtor has the right and ability to purchase the pledged security at short notice, the creditor does not record the security in its balance sheet, but only in an off-balance-sheet records.
(g) An advance received is an amount of money paid by a customer to a supplier for future deliveries of goods, merchandise or services. It is a liability owed by the supplier to the customer.
(h) A financial instrument is any contract that gives rise to a financial asset of one organisation and a financial liability or equity instrument of another organisation. A financial asset is any asset that is

(a) cash;
(b) a contractual right to receive cash or another financial asset from another organisation;
(c) a contractual right to exchange financial instruments with another organisation under conditions that are potentially favourable;
(d) an equity instrument from another organisation; or
(e) a contract that may or will be settled in the organisation's own equity instruments.

A financial liability is any liability that is a contractual obligation:
(a) to deliver cash or another financial asset;

(b) to exchange financial instruments with others under conditions that are potentially unfavourable; or
(c) a contract that may or will be settled in the organisation's own equity instruments.

An equity instrument, however, is any contract that evidences a residual interest in the assets of an organisation after deducting all of its liabilities.

(i) Securities are negotiable documents with which the issuer pledges to fulfil the stated obligation to their rightful owner. Equity securities are issued by an organisation in association with its equity, while debt securities are issued by an organisation in association with its liabilities or debt.

(j) Amortised cost of a liability is the amount at which the liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation (using the effective interest method) of any difference between that initial amount and the maturity amount.

D Clarifications

9.26 Non-interest-bearing liabilities of significant values shall be recognised in the balance sheet at their discounted amount, taking into consideration the average interest rate achieved by the organisation in comparable transactions. Such liabilities do not need to be discounted if, at the inception of the debt relationship, the period to the final maturity of the debt is less than one year.

Interest-bearing liabilities whose actual or agreed interest rate does not materially differ from the effective interest rate shall be recognised in the balance sheet at their initial amounts less repayments.

9.27 An obligation is a responsibility to perform or act in compliance with specific norms or regulations; as such it is not always subject to accounting treatment or presentation in a balance sheet. A liability is a legal obligation, on the basis of which one party is entitled to claim from the other party a certain delivery or service; as such it is the subject of accounting treatment and is included in a balance sheet, but it is not the same as a debt. A debt is something a person is obligated to repay, to settle, particularly in cash. In addition to liabilities arising from a debt, there are other liabilities, such as those associated with equity.

9.28 Liabilities on the basis of loans are liabilities to suppliers for deferred payment of goods and/or services purchased from them.

9.29 Liabilities in the form of bonds are liabilities with fixed repayment terms or redemption dates or dates by which the principal of the unused loan should be repaid whereby the interest rate on the remaining debt does not change.

9.30 The foreign exchange rate under this Standard is the reference rate of the European Central Bank; for justified reasons, the relevant exchange rate of a commercial bank may also applied.

9.31 Long-term liabilities relate to liabilities that are ultimately due for payment within a period of more than one year. In the balance sheet, long-term liabilities that are already due (but not yet settled) and long-term liabilities that will be due within one year or less after the balance sheet date are recorded as current liabilities.

E Date of Adoption and Effective Date

9.32 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 9 – Long-term liabilities (2006) and SAS 11 – Short-term Liabilities (2006).

Slovenian Accounting Standard 10 (2016)

PROVISIONS

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of provisions. It deals with:
(a) the classification of provisions;
(b) the recognition and derecognition of provisions;
(c) the initial measurement of provisions;
(d) the revaluation of provisions; and
(e) the disclosure of provisions.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 11, 13, 14, 15, 20, 21, and 23.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Provisions

10.1 Provisions are made by an organisations for its present obligations that arise from obligating past events and are expected to be settled in the period that cannot be defined with certainty, but a reliable estimate can be made of the amount of the obligations. They may be recognised as liabilities in broader sense because they differ from equity as liability to owners.

Organisations that are micro-companies and organisations that are not companies and are not subject to statutory auditing may decide not to make and account for provisions for jubilee benefits and retirement benefits. Other organisations are not required to make and account for provisions for jubilee benefits and retirement benefits if the differences between the estimated amounts of annual provisions made and the actual amounts of jubilee benefits and retirement benefit expenses are not material.

10.2 The purpose of provisions is to accumulate in the form of accrued costs or expenses the amounts, what will in the future be available to cover the then incurred costs or expenses. Such provisions include for example provisions for restructuring, provisions for expected losses on onerous contracts, provisions for jubilee benefits and retirement benefits.

10.3 Provisions for future costs or expenses expected to be incurred in the future are made by one or more amounts charged against the relevant costs or expenses.

10.4 Contingent long-term liabilities shall not be recognised as provisions.

(b) Recognition and Derecognition of Provisions

10.5 Provisions shall be recognised in the books of account and in the balance sheet if:
(a) an organisation has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable, which is more likely than not, that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

More likely than not means that there is a greater than 50 per cent probability that the organisation's obligation exists. If it is more likely than not that a present obligation does not exist, the organisation discloses a contingent liability. An organisation shall disclose a contingent liability only in the extremely rare circumstances when it is not possible to estimate reliably the amount of the obligation.

10.6 Provisions shall be recognised in the books of account and in the balance sheet by accruing the relevant costs or expenses when it is probable that these costs or expenses will be incurred in future and provisions shall be made to cover them.

10.7 The recognition of provisions in the books of account and in the balance sheet shall be reversed when the possible obligations for which the provisions were made no longer exist or such provisions are no longer needed.

10.8 Provisions should only be used for expenditures for which the provision was originally recognised; in justifiable cases, however, they may also be used for equivalent items. Such a case is the use of provisions made and charged against operating expenses for warranties given at the sale of products or provision of services.

10.9 An organisation shall determine its accounting policies applied to the recognition of provisions in its internal rules.

(c) Initial Measurement of Provisions

10.10 The amount recognised as a provision should be the best estimate of the expenditure required to settle the present, usually long-term obligations at the balance sheet date. In reaching the best estimate of a provision the risks and uncertainties that inevitably surround many events and circumstances should be taken into account. The amount of a provision should be the present value of the expenditures expected to be required to settle the obligation. If the effect of the time value of money is significant, the expected expenditure shall be discounted to present value accordingly.

10.11 Gains from the expected disposal of assets should not be taken into account in measuring a provision. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement are recognised when, and only when, it is virtually certain that reimbursement will be received if the organisation settles the obligation; the amount recognised for the reimbursement should not exceed the amount of the provision.

10.12 If an organisation has a contract that is onerous, the present obligation under the contract exceeding the economic benefits expected from the contract should be recognised and measured as a provision.

Provisions should not be recognised for future operating losses for which there is no present obligation.

10.13 A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the organisation. A restructuring provision shall be recognised only when an organisation has a detailed formal plan for the restructuring, when it starts to implement the plan or when those affected have been informed that the organisation will carry out the restructuring.

10.14 The amounts of provisions for accrued costs or expenses shall be gradually decreased by the amounts of costs or expenses for which they were made. This means that those costs or expenses are no longer recognised in the income statement of the relevant financial year and the provisions made and used to cover them are not included in the income statement either. The only exception is the provisions for losses expected under onerous contracts: they shall be transferred to operating revenue in the accounting periods in which the costs or expenses are incurred.

10.15 Provisions for warranties given should be adjusted at the end of the period by either decreasing or increasing operating revenues to the best estimate of the expenditure required, to settle the obligations arising from the warranties given in future periods.

10.16 The carrying amount of provisions is equal to their original amount less the amounts used, until the need arises to increase or decrease them.

(d) Revaluation and Measurement of Changes in Provisions

10.17 Provisions shall not be revalued.

10.18 At the end of an accounting period, changes in estimates of provisions cause the provision to be adjusted to an amount equal to the amount of expenditure expected to be required to settle the obligation. If the effect of the time value of money is material, the expected expenditure shall be appropriately discounted to its present value.

10.19 Provisions made for a specific purpose shall be increased in accordance with SAS 10.18 if they are expected to be insufficient to cover the relevant expenditures in future years. Their carrying amount and the relevant expenses should be increased by the deficit.

10.20 Provisions made for a specific purpose shall be decreased in accordance with SAS 10.18 if they are expected to be in excess of the relevant costs to be covered in future years. Their carrying amount should be reduced and the relevant revenue increased by the surplus.

10.21 At the end of the period for which the provision was made, its total unused amount shall be transferred to the relevant revenue.

10.22 Actuarial gains and losses on obligations for termination benefit upon retirement are not recognised in profit or loss but directly in equity within the fair value reserve.

(e) Disclosure of Provisions

10.23 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

10.24 For each type of provisions an organisation shall separately disclose:
(a) the reasons and conditions applied in their formation;
(b) the methods used and major assumptions made when estimating their justified amounts; and
(c) the mode of accounting for differences arising in this process.

10.25 For each type of provisions an organisation shall disclose the difference between its planned formation and utilisation and its actual formation and the actual utilisation in each financial year.

10.26 For each type of provisions an organisation shall disclose information about the exposure to different types of risks and hedging against them.

C Key Definitions

10.27 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) A provision is a present liability of uncertain timing or amount.
(b) A liability is a present obligation arising from past events, the settlement of which is expected to result in a future outflow from the organisation of resources embodying economic benefits.
(c) An obligating event is an event that creates a legal or constructive obligation that results in an organisation having no realistic alternative to settling that obligation.
(d) A legal obligation is an obligation that derives from:
  (a) a contract;
  (b) legislation; or
  (c) other operation of law.
(e) A constructive obligation is an obligation on the basis that derives from the following actions:
  (a) by an established pattern of practice, published policies or a sufficiently specific current statement the organisation has indicated to other parties that it will accept certain responsibilities; and
  (b) the organisation has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
(f) A contingent liability is:
  (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation; or

(b) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

(g) An onerous contract is a contract in which the unavoidable costs of meeting the contractual obligations established at the end of the financial year exceed the economic benefits expected to be received under it.

(h) A restructuring is a programme that is planned and controlled by management, and materially changes either:

(a) the scope of a business undertaken by an organisation; or

(b) the manner in which that business is conducted.

D Clarifications

10.28 Provisions are distinguished from other liabilities because there is uncertainty about the timing or amount of the future expenditure required in settlement.

10.29 In cases when it is not undoubtedly clear whether there is a present obligation, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the balance sheet date.

10.30 It is only those obligations that arise from past events and exist independently of the organisation's future action or its future conduct of business that are recognised as provisions. An obligation always involves another party to whom the obligation is owed; it is not necessary, however, to know the identity of the party to whom the obligation is owed, since the obligation may be to the public at large.

10.31 For a provision to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation.

In rare cases, for example in court proceedings, it is not necessarily clear whether an organisation has a present obligation. In such cases, a past event is considered to give rise to a present obligation if, taking into account all available evidence, it is more likely than not (a probability greater than 50%) that a present obligation exists at the balance sheet date. An organisation recognises a provision for such a present obligation if the other two recognition criteria (b) and (c) specified in SAS 10.5 are met.

10.32 Provisions shall be made under the presumption of consistent reasonable judgement with regard to the probability of both future costs and losses. Estimates of the uncertainty involved shall be based on past experience in similar circumstances and on expert opinion.

If an organisation acts in accordance with the preceding paragraph, it shall be deemed that the amount of provisions is reliably estimated.

10.33 The existing liabilities related to dismantling and restoring and similar liabilities even if arising from changes in the discount rates and effects of such changes shall be added to the cost of the relevant item of property, plant and equipment or deducted from it and amortised in its useful life. The provisions shall be remeasured at the balance sheet date.

10.34 Provisions shall also be made for long-term employee benefits, such as jubilee benefits and retirement benefits. These long-term benefits have the nature of predetermined rights.

10.35 An organisation shall identify and recognise in the income statement, at the balance sheet - date, revenue or expense relating to the restatement of the provision for retirement benefits arising from:
- the amount of additional provisions for current service cost in respect of current year termination benefits;
- the amount of any increase or decrease in provisions already made in the event of the introduction or amendment of a plan (change in past service cost);
- accrued interest in respect of provisions (as an additional provision charge);
- the effect of any limitation or curtailment of the provision for retirement benefits.

Actuarial gains and losses on termination benefits upon retirement are not recognised in profit or loss but directly in equity within the fair value reserve. The fair value reserve arising from this exercise may also be negative. Provisions made in this respect are reversed in the corresponding part of the net profit or loss transferred to profit or loss on a pro rata basis when the provision for retirement benefits is derecognised in respect of employees who have left or retired.

10.36 An organisation shall identify and recognise in the income statement, at the balance sheet date, revenue or expense, as appropriate, relating to the restatement of provisions for jubilee benefits.

Provisions are reduced, as they are used, directly against the accrued liability for the costs or expenses for which they were established. Therefore, when provisions are used up, the costs or expenses are no longer recognised in the income statement.

E Date of Adoption and Effective Date

10.37 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 10 – Long-term Provisions and Long-Term Accrued Costs and Deferred Revenue (2006) and Interpretation to SAS 10 (2006).

Slovenian Accounting Standard 11 (2016)

ACCRUALS AND DEFERRALS

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of both short- and long-term deferred revenue and costs or expenses and short- and long-term accrued costs or expenses and a specific class of short-term receivables or liabilities. It deals with:

(a) the classification of accruals and deferrals;
(b) the recognition and derecognition of accruals and deferrals;
(c) the initial measurement of accruals and deferrals;
(d) the revaluation of accruals and deferrals; and
(e) the disclosure of accruals and deferrals.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 2, 5, 10, 12, 14, 15, 20, and 23.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Accruals and Deferrals

11.1 Accruals and deferrals may either be deferred costs and accrued revenue or accrued costs and deferred revenue. The former may be construed as receivables in a broader sense, since they do not only refer to cash or things, whereas the latter may be considered liabilities in a broader sense, since they differ from equity as a liability to organisation's owners. They include deferred revenue and costs or expenses, accrued costs or expenses and accrued revenue as specific classes of receivables or liabilities.

11.2 Accruals and deferrals are receivables and other assets and liabilities expected to arise within a period for which they are formed, their incurrence is probable, whereas their amount is reliably estimated. The receivables and liabilities are associated with both known and yet unknown legal or natural persons from and to whom actual receivables and liabilities will arise, while the assets are the products or services for which they will be charged.

The accruals and deferrals to be realised within one year are defined as short-term, whereas the accruals and deferrals that will be realised in a period of more than one year are defined as long-term.

11.3 Deferred costs and accrued revenue comprise deferred costs or deferred expenses and accrued revenue that shall be recognised separately and classified into major categories.

11.4 Accrued costs and deferred revenue comprise accrued costs or accrued expenses and deferred revenue that shall be carried separately and classified into major categories.

11.5 Deferred costs or deferred expenses are amounts incurred but not yet charged against an organisation's activities and they do not yet affect profit or loss; furthermore, they are not yet included in the cost of property, plant and equipment or inventories; instead, they will only subsequently be calculated as costs and allocated to the relevant cost units or, alternatively, they will at a later date affect an organisation's profit or loss as expenses or be included in the cost of property, plant and equipment or inventories. Deferred costs or deferred expenses are also incurred on the acquisition of certain services and in some other cases. The monetary values, such as postage stamps, fiscal stamps and so on, that are usually kept in a safe deposit box, constitute a separate class of short-term deferred costs or expenses and accrued revenue.

11.6 Accrued costs or accrued expenses arise from charging the expected and not yet incurred costs against an organisation's activities or its profit or loss, or inventories, on a straight line basis.

11.7 Deferred revenue arises when services to be rendered in the future have already been invoiced or even paid, yet the usual liabilities to customers that could be accounted for as advances received have not been recognised.

Deferred revenue also includes government grants and donations received for the acquisition of fixed assets or to cover certain costs. They are intended to cover the cost of depreciation of these depreciable assets or certain costs and are used by transfer to operating revenue; they are generally of a long-term nature.

11.8 Accrued revenue arises when payments have not been received and which could not have been charged is included in its profit or loss.

11.9 Contingent receivables or contingent liabilities shall not be carried and accounted for as deferred costs and accrued revenue or accrued costs and deferred revenue. An organisation shall monitor them in off-balance sheet records.

(b) Recognition and Derecognition of Accruals and Deferrals

11.10 An item of deferred costs and accrued revenues shall be recognised in the books of account and in the balance sheet if:
(a) it is probable that as the result of the item economic benefits will increase in the future; and
(b) its amount can be measured reliably.

An item of accrued costs and deferred revenue shall be recognised in the books of account and in the balance sheet if:
(a) it is probable that as the result of the item economic benefits will decrease in the future; and
(b) its amount can be measured reliably.

11.11 Deferrals and accruals shall be recognised in the books of account and in the balance sheet if, and only if, it may be assumed that the relevant revenue and costs or expenses will virtually be incurred within a period for which they have been formed.

11.12 When an item of accrued costs or accrued expenses is incurred, it may never be assumed that the actual costs will be less than the amount that may be reasonably expected within a period for which they have been formed. When an item of deferred revenue arises, it may never be assumed

that the actual revenue will exceed the deferred revenue or that the costs they are expected to cover will be incurred in a period shorter than the period for which they have been formed.
11.13 When an item of deferred costs or deferred expenses is incurred, it may never be assumed that the actual costs that may be reasonably expected in a period for which they have been formed will exceed the deferred amount, or that the actual costs will be incurred after the period for which they have been formed. When an item of accrued revenue arises, it may never be assumed that a legal or natural person to be charged with it already exists, or that the actual amount will be less than the deferred amount that has already been considered in the determination of profit or loss.

11.14 Accruals in respect of government grants and donations received for the acquisition of fixed assets are made for the amounts of government grants or donations that have been used to acquire fixed assets on a non-repayable or free-of-charge basis.
11.15 The recognition of accruals and deferrals in the books of account and in the balance sheet shall be reversed when their possible incurrence no longer exist or when accruals and deferrals are no longer needed.
11.16 Accrued costs and deferred revenue may only be used for the items for which they were originally recognised.

(c) Initial Measurement of Accruals and Deferrals

11.17 At the balance sheet date, the realistic need for deferred costs and accrued revenues has to be justified, and no reserves may be hidden in the items of accrued costs and deferred revenue. Bringing the accruals and deferrals to realistic amounts actually corrects the costs or ordinary expenses and ordinary revenue in relation to which they have been originally incurred.

11.18 The amounts of accrued costs or accrued expenses charged against products or services, or against the expenses of the accounting period, shall be assessed within the total amount of the costs or expenses included in the cost and expense budgets; the assessment is based on the criteria governing their allocation to products and services or to the expenses of the period included in the budgets; they may, however, also be allocated to products or services simply by applying cost accrual ratios. When doing so, care shall be taken that the cost accrual ratios applied in the prior period are in the current accounting period properly adjusted or even redefined to take into account the starting period and the relevant estimated changes during the accounting period.

11.19 As a rule, accrued cost budgets shall be drawn up for the entire financial year, and only exceptionally for shorter periods with regard to the costs expected to be incurred within shorter periods.

11.20 The amounts of accrued costs for a specific period are determined on the basis of their actual level in the prior period with appropriate adjustments made for the current accounting period, or even on the basis of entirely new budgets. New budgets shall be drawn up for new types of costs not incurred in the prior period, as well as for the costs that were already incurred in the prior period, but their real amount in the accounting period cannot be determined by mere adjustments. This primarily applies to an accounting period in which considerable changes may be expected in the scope of operations, or in price fluctuations, or in the capacity utilisation, or in the operating efficiency, which all may have a profound impact on both the level and the structure of the costs included in the accruals.

11.21 The accrued costs budgets shall be made on the basis of actual technical, organisational and social factors that influence them. They are estimated costs that also have to be included in the budget income statement, if and when such statement is prepared.

11.22 The cost accrual ratio shall be determined on the basis of either the timing or the functional principle. The ratio based on the timing principle is determined by dividing the budgeted costs with the months of the accounting period; under the functional principle, however, the cost accrual ratio is arrived at by dividing the budgeted costs with the volume of business in terms of either quantity or value of the budgeted activity. The costs incurred per month are determined by multiplying one month's volume of business by the determined cost accrual ratio.

11.23 Deferred costs or deferred expenses are included in calculated costs or expenses. Accrued costs or accrued expenses then subsequently cover the actually incurred costs or expenses of the same type which, thus, are no longer included in the income statement of the financial year. Deferred revenue are transformed into accrued revenue when the relevant services have been rendered or when they become eligible to be included into income statement and the relevant costs have to be covered. Accrued revenue shall be extinguished as soon as the relevant liability has been recognised or the payment has been received.

11.24 When the records of the accounting period show that the usual relations between the amounts of individual cost types and the relevant cost accrual ratios have been disrupted (due to price fluctuations, changes in the domestic economic policies, major organisational changes in the organisation or for other significant reasons), the originally planned ratios shall be adjusted to account for the trends of actually incurred costs. Similar changes may also occur in relation to other economic categories of accruals and deferrals.

Deferred expenses are transformed into accrued expenses when they are included in the income statement. Accrued expenses shall be extinguished as soon as the relevant liability has been recognised, or the payment has been received.

11.25 Accrued expenses due to deferred revenue shall be transferred to operating revenue in the financial year in which the costs or expenses they are intended to cover are incurred.

(d) Revaluation of Accruals and Deferrals

11.26 Accruals and deferrals shall not be revalued.
However, when preparing financial statements, an organisation shall verify whether it is justified and necessary to recognise accruals and deferrals.

(e) Disclosure of Accruals and Deferrals

11.27 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this

Standard. The disclosures are stipulated for all material matters. An organisation shall define the nature and degree of materiality in its internal rules.

11.28 For each class of accruals and deferrals separately an organisation shall disclose:
(a) the reasons and conditions applied in their formation;
(b) the methods used and major assumptions made when estimating their justified amounts; and
(c) the mode of accounting for differences arising in this process.

11.29 For each class of accruals and deferrals an organisation shall disclose the difference between its budgeted amount and intended use, and its actual formation and utilisation in each financial year.

C Key Definitions

11.30 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) Deferred costs are the amounts of expenditures or costs that will only subsequently as costs affect the value of emerging products and services as cost units.
(b) Deferred expenses are the amounts of expenditures or costs that will only subsequently as expenses affect profit or loss without being tied in inventories and work in progress.
(c) Accrued costs are the costs that have already been allocated to products and services as cost units, although they will be incurred in the future.
(d) Accrued expenses are the expenses that affect profit or loss although they will be incurred in the future.
(e) Deferred revenue is the revenue that does not yet affect profit or loss.
(f) Accrued revenue is the revenue that affects profit or loss although it has not been paid, and the relevant debtor cannot yet be identified.
(g) A contingent liability is:
(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation; or
(b) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.
(h) A contingent asset is a possible asset that arises from past events and whose existence will be only confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation.

D Clarifications

11.31 Operating current assets used in the preparation of production include, in addition to assets in tangible form, assets in the form of short-term deferred charges that are expensed as costs or expenses of the period in proportion to the participation in the generation of the products and services and their distribution in the accounting month.

11.32 In establishing costs within budgets as the basis for their accrual, and for the determination of accrual ratios used for computation in the periods in which they incur, the data from the base period (i.e. from the preceding year) can only be used as an orientation basis. All other matters shall be estimated in accordance with cost-efficiency to be achieved, as well as with the tendency to realistic charging of products and services. Budgets made for periods shorter than one year may only apply to specific costs incurred in these periods (for example, promotion and advertising costs associated with seasonal sale of goods).

11.33 The functional rates for accrued costs or short-term deferred costs shall be applied with respect to quantities in the case of production output and sales volumes that are uniform in terms of quality and value; in all other cases the value parameter only may be applied.

11.34 Amounts received in an accounting period for products, merchandise or services to be delivered or rendered, and hence invoiced (charged) in a subsequent accounting period, shall be carried and recognised as advances received. Deferred revenue, and not liabilities from advances, only appear in association with services that continue to be rendered for several months and the payer of such services may not withdraw from the contract (for example, received fees for training courses).

11.35 Government grants are amounts received by an organisation from the state or a local authority directly from the budget, through state or local authorities or through other users of the budget for specific purposes. Government grants are also sometimes referred to as subsidies or aids.

Amounts received in transactions between the recipient of public funds and the organisation that are indistinguishable from its normal commercial transactions are not considered to be government grants.

Government grants are not recognised until there is reasonable assurance that the organisation will comply with the conditions for the grant and that the government grant will be received. Contingent government grants are recognised in operating revenue only when the conditions attached to them are met.

Deferred revenue from government grants received for the acquisition of fixed assets is utilised by transfer to operating revenue in accordance with the depreciation charged. Deferred revenue from government grants received to cover other costs is utilised by transfer to operating revenue in accordance with the incidence of the costs for which the grants were received.

Unconditional government grants relating to biological assets measured at fair value less costs to sell are recognised in operating revenue in the period to which they relate.

11.36 Donations are amounts of money, rights or things received by an organisation from natural or legal persons without any obligation to repay and do not relate to payments for goods or services sold by the organisation to those persons. Accruals arising from donations received for the acquisition of fixed assets are applied in accordance with the depreciation charged, and accruals arising from donations received for the recovery of specific costs are applied in accordance with the incurrence of those costs. Undesignated donations are not recorded under accruals but are treated immediately as revenue.

E Date of Adoption and Effective Date

11.37 This Standard was approved by the Professional Council of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 2 – Intangible assets and Long-Term Deferred Costs (2006) in the section referring to long-term deferred costs, SAS 10 – Provisions and Long-Term Accrued Costs and Deferred Revenue (2006) in the section referring to long-term accrued costs and deferred revenue and SAS 12 – Short-Term Accrued and Deferred Items (2006).

SLOVENSKI INŠTITUT za REVIZIJO

Slovenian Accounting Standard 12 (2016)

COSTS OF MATERIALS AND SERVICES

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of the costs of materials and services consumed. It deals with:

(a) the classification of costs of materials and services;
(b) the recognition of costs of materials and services;
(c) the initial measurement of costs of materials and services; and
(d) the disclosure of costs of materials and services.

This Standard relates to Slovenian Accounting Standards (SAS) 4, 9, 14, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D) and the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Costs of Materials and Services

12.1 The costs of materials are quantities of direct materials consumed and of the portion of materials associated with production overheads, purchasing and selling overheads, and administrative overheads. Costs of services are the costs that are not carried as costs of materials, depreciation or amortisation, or labour.

12.2 Costs of materials and services shall be classified by primary types. An organisation may determine its own detailed classification of costs. Their classification by functional groups shall be regulated within total cost accounting.

12.3 When consumed materials and consumed services include quantities produced by an organisation within the group or associates, they shall be accounted for separately.

12.4 When products manufactured or services provided within the group are consumed, no original costs of materials or original costs of services are incurred.

12.5 Accrued costs of materials and services shall be carried and accounted for as costs of materials or services under this Standard, although they are subsequently incurred; the amounts of self-constructed products or self-performed services consumed may also be included in accrued costs.

12.6 Deferred costs of materials and services that continue to be carried as deferred costs shall not be considered costs of materials and services under this Standard.

12.7 Costs of benefits that are not associated with wages and salaries, and interest costs are considered to be costs of services in broader sense. Costs of services in broader sense also comprise costs of scholarships and tuition fees relevant to an organisation's business operations, and other similar costs.

12.8 In accordance with the selected valuation method used, costs of materials and services may be held in the work in progress and in the inventories of products, before they become part of expenses and affect the profit or loss of an individual accounting period.

12.9 A decrease in the value of inventories of materials resulting from a reduction in their previous carrying amount to a lower net realisable value is not regarded as costs of materials but as revaluation expenses.

(b) Recognition of Costs of Materials and Services

12.10 Costs of materials and services shall be recognised on the basis of documents evidencing their association with the economic benefits flowing from them.

12.11 Write-down of inventories of materials to their net realisable value does not increase the recorded costs of materials, but increases the revaluation expenses relating to inventories.

(c) Initial Measurement of Costs of Materials and Services

12.12 The costs of materials held in inventories prior to their use are stated at the amounts that constituted the value of inventories before such materials were consumed. They depend on the inventory costing method used by the organisation: the first-in, first-out (FIFO) method or the weighted average price method. When fixed prices of materials are used, the relevant portion of variances shall be taken into account, and the costs shall be recognised at amounts corresponding to the selected method. An organisation is obliged to disclose the method applied.

12.13 The costs of materials not held in inventories prior to their use are usually stated at actual amounts recorded on the acquisition of such materials. The same applies to the costs of services.

12.14 The estimated amount of accrued costs of materials and services shall be recognised under the items under which the actual such costs of materials and services would otherwise be recorded. The costs are charged against the relevant items of accrued costs and deferred revenue.

12.15 Provisions for future costs of materials and services shall be carried and accounted for as a specific class of costs, except provisions for pensions, jubilee benefits and retirement benefits that are considered labour costs. Costs of the same type shall be charged directly against the provisions of the same type.

12.16 If an annual inventory of materials identifies surpluses or shortages for which no one is personally responsible, the surpluses reduce the costs recognised up to that time and the shortages increase them.

(d) Disclosure of Costs of Materials and Services

12.17 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with these Standards. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

C Key Definitions

12.18 Two terms used in this Standard need to be to be explained in order to define the key concepts.

(a) **Costs of materials** are the costs of raw and auxiliary materials, and of purchased semi-finished products, components, fuels and lubricants. Costs of raw materials are costs of materials derived from agriculture, forestry or mining. The specific costs of materials are costs of consumed energy.

(b) **Costs of services** are costs of transportation services, costs of production stages performed by others, costs of utility and telecommunication services, rentals, insurance premiums, costs of payments services and similar costs; in broader sense they also comprise costs of taxes, levies and charges independent of profit or loss and not related to wages and salaries, as well as interest costs. In addition, costs of services include work contract costs, costs of copyright contracts and costs associated with other legal relations, with exception of employment relationships established with natural persons. In any case, the classification of costs of services by primary types shall be distinguished from their classification by functional groups, which at least in the case of self-performed services can only be made after all costs have been allocated.

D Clarifications

12.19 Interest paid is usually immediately carried and accounted for as financial expense. When it is included in the cost of property, plant and equipment or of intangible assets, it shall be transferred to the accrued depreciation or amortisation charges; when, however, it is included in the cost of work in progress, or of products manufactured over a longer period of time, it shall be transferred to expense as an element of production costs of goods sold.

12.20 Contrary to the theoretical definition of costs, according to which only those amounts that are justified in the process of production and distribution of products and services may be carried as costs, under this Standard costs may also comprise various so-called unnecessary costs, even though they cannot be calculated in the inventories of products or work in progress, and are rather immediately carried as expenses. Only the amounts arising from writing-down of inventories to net realisable value are excluded from the definition of costs, as they are directly revaluation adjustments included in operating expenses.

12.21 Development costs that are not deferred on a long-term basis shall be carried and accounted for as a specific class of costs of services, but not before the allocation of the costs has been completed. If they are incurred by the same organisation, they shall first be carried and accounted for by the relevant primary types of costs. The same applies to the costs of maintenance, advertising and entertainment, if they include self-constructed products or self-performed services.

12.22 Lessee's rental expenses are a specific natural type of costs of services only under an operating lease. In the case of a finance lease, however, lease payments are included in the acquired item of property, plant and equipment resulting in depreciation charges and financial expenses.

12.23 Costs under construction contracts and other service contracts that are not performed in a single operation shall be accounted for under the percentage of completion method.

12.24 The decision concerning the type of costs of materials and services that shall be held in the inventories of work in progress and in the inventories of products primarily depends on whether or not they are included in the functional groups of costs; the decision is therefore not really dependent on the characteristics of the primary types of costs.

E Date of Adoption and Effective Date

12.25 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 14 – Costs of Materials and Services (2006).

SLOVENSKI INŠTITUT za REVIZIJO

Slovenian Accounting Standard 13 (2016)

LABOUR AND EMPLOYEE BENEFIT COSTS

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of costs of wages and salaries and of taxes as well as other labour costs and costs of employee benefits including their shares in profit. It deals with:

(a) the classification of labour and employee benefit costs;
(b) the recognition of labour and employee benefit costs;
(c) the initial measurement of labour and employee benefit costs; and
(d) the disclosure of labour and employee benefit costs.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 9, 14, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Labour and Employee Benefit Costs

13.1 Employee benefits are all forms of consideration given by an organisation in exchange for service rendered by employees; an organisation shall recognise employee benefits as its labour costs or as shares in profit before stating its profit in the income statement. Employee benefits may also be associated with specific taxes that increase the costs incurred by the organisation or the employees' share in profit. All payments to management, irrespective of the legal form of the contractual relationship, are also considered employee benefits.

13.2 Employees are entitled to employee benefits during their service or after termination of their service. The benefits they receive during their service are wages or salaries, compensations as a substitute for wages, salaries and related items, including shares in profit; post-employment benefits are primarily termination benefits and any other benefits arising from the original employment.

13.3 Labour costs include:
(a) wages and salaries earned by employees, in their gross amount;
(b) compensations to which the employees are entitled under the law, collective bargaining agreement or employment contracts for the period of absence from work, and which an organisation is obliged to cover in their gross amounts;
(c) benefits in kind, gifts and bonuses to the employees as well as the amounts paid for or reimbursed to the employees, but not directly related to the operations of the organisation;
(d) termination benefits to which the employees are entitled after termination of their service and other earnings to which the employees are entitled under the law, collective bargaining agreement or employment contracts in their gross amounts; and
(e) taxes and contributions additionally accrued on items (a) to (d) and charged against the employer.

13.4 The following shall be carried and separately disclosed as labour costs:
(a) amounts which depend on the profit and are paid to the members of the organisation's bodies who are not paid wages or salaries; and
(b) amounts which depend on the profit and are paid to the organisation's employees as supplements to their wages and salaries.

13.5 Labour costs may be retained in the work in progress and inventories of products before they are included in operating expenses and affect the profit or loss of the accounting period. Shares in profit, together with taxes associated with them, increase operating expenses so that the final profit is already reduced by their amount. An organisation is free to decide on any further sub-classification of its labour costs in accordance with its own needs.

13.6 Employee compensation costs are costs of reimbursement related to work. They may be in the nature of salary costs or in the nature of service costs. This Standard addresses only reimbursements that are treated as a cost of labour, for example, the cost of commuting to and from work and the cost of providing meals while at work.

(b) Recognition of Labour and Employee Benefit Costs

13.7 Labour costs shall be recognised on the basis of documents evidencing the work performed and on other accounting bases used to calculate the gross amounts of wages and salaries or the eligibility to receive compensation as a substitute for wages, salaries and related items, including termination benefits and other relevant benefits. The payments that fluctuate during a financial year may also be accrued.

(c) Initial Measurement of Labour and Employee Benefit Costs

13.8 Labour and employee benefit costs shall be accounted for in accordance with the law, the collective bargaining agreement, a general act adopted by the organisation, or an employment contract.

13.9 An organisation shall make a provision, provided that the conditions under SAS 10 are fulfilled, for the amount of labour costs that the employees claim under the law, the collective bargaining agreement, the general act adopted by the organisation or employment contracts, yet the organisation opposes such payment.

13.10 The accrued labour costs are equal to liabilities associated with them, until they have been settled. Liabilities for wages and salaries shall be recognised as obligations to individual employees in the gross amount of wages and salaries, and as liabilities for taxes and contributions to be accounted for with respect to the gross amount of wages and salaries, and are not part of them.

13.11 Amounts distributed to employees based on the profit earned in a financial year are also treated as salary costs. This share is not shown as a component of the publicly reported net profit but as salary costs. The same treatment is applied to bonuses paid to members of the management and supervisory boards.

13.12 Employee profit-sharing expense is recognised if the profit-sharing is based on:
- a legal commitment of the organisation;
- a decision by management or another body with the power to make such a decision before the financial statements are approved for publication; or
- an unambiguously disclosed constructive obligation of the organisation.

(d) Disclosure of Labour and Employee Benefit Costs

13.13 Organisations that are not subject to audit are required to disclose only the information and data required by law, and the remaining organisations are also required to comply with the disclosure requirements of this Standard. These disclosures are required for all material matters. The nature and level of materiality shall be specified by the organisation in its governing documents. Specific disclosure shall be made of profit interests distributed by the general meeting to non-owners.

13.14 Special disclosure should be made of employee benefits and profit-sharing attributable to management and other bodies.

13.15 The details of employee long-term benefit plans other than termination benefits (for example, jubilee benefits) and the provisions relating to them, as well as the coverage and users of the plans, are disclosed.

13.16 Specific disclosure shall be made of any claims by employees for benefits based on provisions of law, collective bargaining agreement, general act of the organisation or employment contract to which the organisation objects. Disclosure should also be made of whether provisions have been made within the meaning of SAS 10.

13.17 The organization shall also disclose separately in the notes to the financial statements the cost of services, other than labour costs, in respect of labour placement agencies under labour placement contracts and the number of such employees, taking into account the number of hours worked under those contracts.

C Key Definitions

13.18 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Wages and salaries are gross employee benefits earned as compensation for service rendered by employees.

(b) An employee is a natural person who is employed under a contract of employment or is a manager of an organisation, irrespective of the legal basis.

(c) Compensation is a gross employee benefit to which an employee is entitled for a period of absence from work for various reasons, including sick leave, annual leave and other justified reasons.

(d) Gross wages and salaries are the amounts that, in addition to net wages and salaries, include taxes as well as statutory social security contributions payable by employees.

(e) Net wages and salaries are the amounts left to the employee after deductions for taxes and statutory contributions for social benefits payable by employees.

(f) A termination benefit is an employee benefit payable as a result of:
(a) an organisation's decision to terminate an employee's employment before the normal retirement date;
(b) an employee's decision to accept voluntary redundancy in exchange for the benefit; or
(c) normal retirement of an employee.

(g) Organisation's payroll taxes and social security contributions are the organisation's legal obligations that depend on gross wages and salaries and reimbursements to employees charged to the organisation.

D Clarifications

13.19 Compensations as substitutes for wages and salaries charged to the organisation are compensations and allowances for a specific period of absence from work during sick leaves, vacations, national holidays, special days off and other compensations in accordance with regulations in force, collective bargaining agreement or employment contract.

13.20 Reimbursements to employees that are considered labour costs and are directly associated with their service include allowances for travel to and from work, reimbursements for a hot meal during working time and others. Travel costs incurred on business trips, costs of field work, as well as tuition fees and scholarships directly associated with the operations of the organisation shall be carried and accounted for as costs of services.

E Date of Adoption and Effective Date

13.21 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 15 – Labour Costs and Reimbursements to Employees (2006).

Slovenian Accounting Standard 14 (2016)

EXPENSES

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of operating expenses, financial expenses and other expenses. It deals with:

(a) the classification of expenses;
(b) the recognition of expenses;
(c) the initial measurement of expenses; and
(d) the disclosure of expenses.

This Standard does not deal with income tax expense.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 4, 6, 9, 16, 17, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Expenses

14.1 Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets (for example, inventories of products through selling) or increases of liabilities (for example, arising from accrued interest); through their effect on profit or loss they result in decreases in equity.

14.2 Expenses shall be classified as operating expenses, financial expenses and other expenses. Operating expenses and financial expenses are ordinary expenses.

14.3 Operating expenses are in principle equal to the calculated cost of the accounting period, increased by the cost held in the opening inventories of products and work in progress, and reduced by the cost held in the closing inventories of products and work in progress. In trade organisations that do not have costs held in inventories the cost of merchandise sold shall be included in the operating expenses. Materials sold shall be recognised in a manner similar to that of merchandise sold. All organisations are required to add to this cost any potential employees' shares in profit as well as the revaluation operating expenses.

14.4 Operating expenses shall by function be classified as production costs of goods sold, and in trade organisations as cost of goods sold plus purchasing and selling overheads, direct selling costs, administrative overheads and revaluation operating expenses not categorised as costs.

14.5 Revaluation operating expenses arise in respect of property, plant and equipment, intangible assets and current operating assets as a result of their revaluation to a lower value of unless the decrease in their value has not been covered by revaluation surplus resulting from their prior increase in value. The difference between the sales value and the carrying amount on the sale or other disposal or derecognition of property, plant and equipment, non-current assets held for sale, intangible assets and investment property is also recognised as revaluation operating expenses.

14.6 Financial expenses include financing expenses and investment expenses. The former primarily comprise interest paid, while the latter predominantly have the nature of revaluation financial expenses.

14.7 Revaluation financial expenses arise in association with the impairment of investments unless the decrease in their value is covered by fair value reserves and due to the decrease in their fair value if they are measured at fair value through profit or loss. Revaluation financial expenses are also recognised on the sale or other disposal or derecognition of investments other than equity instruments or on the sale of receivables as the negative difference between the selling price and the carrying amount, adjusted for any fair value reserve.

14.8 Operating expenses and financial expenses may also be classified as those arising in relation to products and services of the subsidiaries in the group, associates and others.

14.9 Other expenses comprise extraordinary items and other expenses that reduce profit or loss.

(b) Recognition of Expenses

14.10 Expenses shall be recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities and such decreases can be measured reliably. Expenses shall then be recognised simultaneously with the recognition of depletions of assets or increase in liabilities.

14.11 Operating expenses shall be recognised once costs are no longer held in inventories of products and work in progress or once merchandise has been sold. The costs that cannot be held in inventories and work in progress shall on their incurrence be recognised as operating expenses. Revaluation operating expenses shall be recognised upon revaluation.

14.12 Financial expenses shall be recognised upon statements of accounts, irrespective of actual payments associated with them.

(c) Initial Measurement of Expenses

14.13 The usual valuation of inventories of products and work in progress at production costs shall be based on operating expenses comprising the production costs that are no longer held in inventories as well as the purchasing and selling costs and costs of general and administrative services accrued during the accounting period.

14.14 In a situation in which production is constant while sales are fluctuating, a more realistic profit or loss may be obtained over short periods if the inventories of products and work in progress are valued at contracted full cost. When this is the case, operating expenses comprise contracted full cost of goods sold and direct selling costs accrued during the accounting period.

14.15 When sales are constant while production is fluctuating, a more normal profit or loss may be obtained if the inventories of products and work in progress are valued at variable production costs. When this is the case, operating expenses comprise the variable production and variable non-production costs and fixed costs accrued during the accounting period.

14.16 Within the two extreme departures from the usual valuation of inventories mentioned under SAS 14.14 and 14.15 an organisation may also apply other methods which affect the measurement of operating expenses in an accounting period. Some primary types of costs that might otherwise be elements of production costs may be excluded from the valuation of inventories of products and work in progress; instead, they are immediately measured as operating expenses. The same applies to normal cost overruns in certain types of production costs.

14.17 The transfer of costs from the inventories of products and work in progress to the costs of goods sold, and the transfer of cost of merchandise and materials to the costs of goods sold, shall be carried out by applying the first-in, first out (FIFO) method or weighted average price method. When fixed (estimated, standard) prices are applied, the proportionate share of variances shall also be considered.

14.18 The interest paid is included in financial expenses in the amount accrued in the same accounting period unless it has been included in property, plant and equipment, in intangible assets, or in inventories.

14.19 Revaluation operating expenses shall be recognised as soon as the relevant revaluation has been carried out.

14.20 Accounting policies used to recognise expenses in interim reports are identical to those on which annual financial statements are based; the expenses that fluctuate during a period may be recognised or deferred if, and only if, it is appropriate that they may also be recognised or deferred at the end of the financial year.

14.21 The procedures used in the measurement of expenses when interim reports are prepared shall be planned in advance in order to provide for reliability of information they contain; in general, estimation methods are used more frequently to prepare interim reports than in the drafting of annual financial statements.

(d) Disclosure of Expenses

14.22 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

14.23 An organisation shall separately disclose the method applied to measure expenses.

14.24 When given their amounts, nature or consequences, the disclosure of specific expense items is material to explain the performance of an organisation in an accounting period, both the size and the amount of such items shall be disclosed separately.

14.25 An organisation shall disclose the nature and the amount of any change in accounting estimate that might significantly affect expenses in the relevant financial year or are expected to significantly affect expenses in subsequent financial years.

C Key Definitions

14.26 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Production costs are direct costs of materials, direct labour costs, other direct costs and production overheads.

(b) Contracted full cost comprises production costs in narrow sense, purchasing overheads, selling overheads and general and administrative overheads, whereas direct selling costs and financing costs are not included.

D Clarifications

14.27 The revaluation of receivables due to impairment during the accounting period concerned is a revaluation operating expense. The revaluation of inventories due to impairment is carried as a revaluation expense and the value of the shortage identified on inventory taking is an adjustment to the corresponding costs or ordinary operating expenses.

14.28 The effects of a decrease in the fair value of investment property measured using a fair value model are treated as either revaluation financial expenses or revaluation operating expenses, depending on the purpose for which the investment property is held.

14.29 Any impairment of property, plant and equipment, intangible assets and any inventory shortage shall be recognised as revaluation operating expenses.

E Date of Adoption and Effective Date

14.30 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 17 – Expenses (2006).

Slovenian Accounting Standard 15 (2016)

REVENUE

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of operating revenue, financial revenue and other revenue. It deals with:

(a) the classification of revenue;
(b) the recognition of revenue;
(c) the initial measurement of revenue; and
(d) the disclosure of revenue.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 11 and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Revenue

15.1 Revenue is inflow of economic benefits during the accounting period in the form of enhancements of assets (for example, cash or receivables arising from goods sold) or decreases in liabilities (for example, resulting from abandonment of their settlement); through their effect on profit or loss such inflows result in increases in equity.

15.2 Revenue shall be classified into operating revenue, financial revenue and other revenue. Operating revenue and financial revenue are considered to be ordinary revenue.

15.3 Operating revenue comprises sales revenue and other operating revenue associated with products and services.

15.4 Sales revenue is revenue arising from contracts with customers for the sale of goods or services. Revenue from sales reflects transfers (deliveries) of contractually agreed goods or services to customers in the amount of the expected consideration to which the organisation will be entitled in exchange for those goods or services. It is broken down into revenue from the sale of organisation's own products and services and revenue from the sale of merchandise and materials. Amounts collected on behalf of third parties, such as accrued value added tax and other taxes at the time of sale, are not a component of sales revenue. Similarly, in an agency relationship, the amounts collected on behalf of the principal are not sales revenue. (Instead, revenue is only that part of the remuneration due to the principal for the agency service provided.)

15.5 Other operating revenue associated with products and services include subsidies, grants, allowances, compensations, premiums, and similar revenue. Government grants received for the acquisition of fixed operating assets, or to cover specific costs, shall temporarily be carried as deferred

revenue and shall be transferred to operating revenue in line with the depreciation of the acquired fixed operating assets or with the incurrence of costs for which they have been earmarked.
15.6 Revaluation operating revenue arises on disposal of items of property, plant and equipment and of intangible assets as an excess of their sales value over their carrying amount.

15.7 Financial revenue is revenue generated by investment activities. Financial revenue arises in relation to investments, as well as in association with receivables. It comprises accrued interest and shares in the profit of other parties, as well as revaluation financial revenue. Financial revenue shall be classified as financial revenue independent of profit or loss of other parties (for example, interest received), and financial revenue dependent on profit or loss of other parties (for example, dividends received).

15.8 Revaluation financial revenue arises in association with:
(a) increases in the fair value of financial assets measured at fair value through profit or loss;
(b) the derecognition of investments, as follows:
- the excess of their selling price or the fair value of the non-cash consideration received over their carrying amount; or
- in the case of available-for-sale investments other than equity instruments measured at fair value, the excess of their selling price or the fair value of the consideration received over their carrying amount, adjusted for the fair value reserve;

(c) the reversal of impairment of investments, if the reversal of impairment is permitted in accordance with SAS 3.

15.9 Both operating and financial revenue shall also be classified as that arising from business relations with the subsidiaries in the group, associates, joint ventures and other.

15.10 Other revenue comprises extraordinary items and other revenue that increase profit or loss.

(b) Recognition of Revenue

15.11 Revenue shall be recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those increases can be measured reliably.

15.12 Revenue shall be recognised when it is reasonably expected that the organisation will receive consideration for it.

15.13 An organisation recognises revenue from sales when it has fulfilled (or is fulfilling) a contractual obligation. A contractual obligation is a performance obligation of an organisation to deliver or render contractually agreed (promised) goods or services to a customer. The performance obligation is discharged (or fulfilled) by the transfer of the contractually agreed goods or services to the customer.

15.14 The goods or services are transferred when the customer obtains (or acquires) the control of it. The customer acquires the control of the goods or services when he or she acquires the right to determine its use and the right to substantially all of its residual benefits. Such control includes the ability to prevent others from directing the use of the goods or services and obtaining benefits from

it. Benefits from goods or services are potential cash flows (receipts or expenditure savings) that can be obtained directly or indirectly in a variety of ways. For example, by:
- using the asset to produce goods or services;
- using the asset to increase the value of other assets;
- using the asset to settle liabilities or reduce costs;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

15.15 An organisation transfers the control of goods or services to satisfy or fulfil a performance obligation, either at a point in time or gradually. If the control is transferred at a point in time, the criteria in SAS 15.13 and SAS 15.44 are applied to determine the point in time of transfer.

An organisation transfers the control of goods or services gradually if the customer acquires the control simultaneously (i.e. at the same time or currently) with the organisation's progress in meeting such an obligation. In assessing whether the control is transferred to the customer on a graded basis, an organisation applies the criteria in SAS 15.45.

15.16 For any performance obligation that is settled gradually, revenue is recognised gradually in accordance with the organisation's progress towards full satisfaction of such obligation. Revenue is recognised gradually only when progress towards full satisfaction of the performance obligation can be reasonably measured, that is, when the organisation has reliable information necessary to apply an appropriate method of measuring progress. When an organisation cannot reasonably measure progress towards full satisfaction of a performance obligation but expects to recover the costs incurred in satisfying that obligation, it may recognise revenue only to the extent of the costs incurred.

15.17 An organisation shall apply a single method of measuring progress for each performance obligation that is progressively settled and shall apply that method consistently to similar performance obligations in similar circumstances. The relevant methods for measuring progress are the output and input methods. At least at the end of each reporting period, the organisation shall remeasure progress towards full satisfaction of the performance obligation. Any update to the measurement of progress shall be accounted for as a change in accounting estimate.

15.18 When entering into a contract with a customer, an organisation shall identify all performance obligations contained in the contract. A separate (distinct) performance obligation is defined as any obligation to transfer goods or services to the customer:
(a) that, under the criteria of SAS 15.42, can be identified in the context of the contract as distinct from other contractual obligations to transfer goods or services; and
(b) that the customer can use the contractually agreed goods or services either alone or in conjunction with other available or readily accessible resources (assets). For example, the fact that an organisation regularly sells goods or services separately would indicate that the customer can use the goods or services alone or in conjunction with other readily accessible resources.

If an obligation to transfer goods or services to a customer cannot be identified separately from other obligations to transfer goods or services in the context of a contract, then it shall be aggregated with the other obligations until a whole is formed that qualifies for recognition as a separate (distinct) performance obligation.

15.19 An option given to the customer in the contract to obtain additional goods and/or services should also be recognised as a separate (distinct) performance obligation where such option represents a material right that the customer would not have received if the underlying contract had not been concluded.

A promise of a series of separate goods or recurring services that are substantially the same and have the same pattern of transfer to the customer shall be recognised as a single, stand-alone performance obligation.

15.20 Organisations that are considered micro and small companies under the provisions of the Companies Act are not required to comply with the provisions of SAS 15.18 and SAS 15.19.

15.21 For the purposes of accounting for sales revenue, an organisation shall treat multiple formally separate contracts as a single contract if one or more of the following criteria are met:
(a) the contracts are entered into as a package with a single commercial objective;
(b) the amount of consideration under one contract depends on the price or performance of the other contract; or
(c) the promises of goods or services made in the contracts (or the specific goods or services agreed in each of the contracts) are treated as a single performance obligation.

(c) Initial Measurement of Revenue

15.22 Sales revenue shall be recognised at an amount that reflects the transaction price allocated to the stand-alone performance obligation. The transaction price is the amount of consideration to which the organisation expects to be entitled in exchange for transferring the goods or services to the customer, excluding amounts collected on behalf of third parties.

15.23 Consideration may include fixed amounts, variable amounts or both. In determining the transaction price, the effects of:
- variable consideration;
- the existence of a significant financing component in the contract;
- non-monetary consideration; and
- consideration payable to the customer are taken into account.

15.24 The consideration may include a variable amount, for example, as a result of discounts, rebates, refunds, credits, price reductions, incentives, performance bonuses, liquidated damages or similar items, and also if the organisation's entitlement to the consideration is conditional on the occurrence or non-occurrence of a future event. For example, the amount of compensation is variable if the product is sold with a right of return, or a fixed amount is promised as a performance bonus if a certain milestone is achieved. The variable portion of the consideration is included in the transaction price up to the amount that is more likely than not to result in a significant reduction in the total recognised revenue from the contract when the related uncertainty is removed. The amount of variable consideration that is not included in the transaction price but has already been charged to, or paid by, the customer is recognised as a reimbursement liability.

15.25 In determining the transaction price, the amount of the consideration is adjusted for the time value of money effects if the timing of the consideration provides the customer with a significant financing benefit. To calculate the time value of money effects, the organisation uses a discount rate that would be reflected in a separate financing transaction between the organisation and the customer at the inception of the contract, or would reflect the credit characteristics of the customer, as well as any collateral or guarantee provided by the customer, including the assets transferred in the contract.

If the time gap between the fulfilment of the obligation and the customer's payment is one year or less, the contract is not considered to contain a significant financing component.

15.26 Non-monetary consideration received for the transfer of goods or services shall be measured at fair value, or, if that cannot be reasonably estimated, by reference to the stand-alone selling price of the goods or services supplied in exchange for the consideration.

15.27 An organisation accounts for consideration paid to a customer (or to other parties that purchase the organisation's goods or services from the customer) as a reduction of the transaction price and revenue, unless the consideration is paid to the customer in exchange for separate goods or services that is transferred to the organisation by the customer.

15.28 When a contract contains multiple performance obligations, the transaction price shall be allocated to each performance obligation in an amount equal to the amount of consideration to which the organisation expects to be entitled in exchange for the transfer of the goods or services to the customer. The transaction price is allocated to each performance obligation in proportion to the stand-alone selling prices of the separate goods and/or services in the contract. The stand-alone selling price is the price at which the organisation would sell the goods or services separately to the customer. The best evidence of a stand-alone selling price is the price at which the organisation would sell the goods or services separately in similar circumstances and to similar customers.

15.29 A variable amount of consideration may be allocated to all performance obligations in the contract or only to certain performance obligations. A variable amount of consideration is allocated to only certain performance obligations when its terms relate to the performance or a specified result of only certain, rather than all, performance obligations.

15.30 A customer is deemed to receive a discount for the purchase of a group of goods or services if the sum of the individual selling prices of those goods and/or services exceeds the amount of the compensation. Only when the organisation has evidence that the discount relates only to specific performance obligations is the discount allocated pro rata to all performance obligations contained in the contract.

15.31 If the transaction price changes after the contract is entered into, the organisation allocates such a change to the individual performance obligations in the contract on the same basis as it did when the contract was entered into. Amounts allocated to a performance obligation that has already been settled are recognised as revenue or as a reduction of revenue in the period in which the transaction price changes.

15.32 Operating revenue relating to subsidies, grants, reimbursements, offsets, premiums and the like received shall be recognised when:
(a) there is reasonable certainty that the organisation will comply with the conditions attached to it and will receive it; or
(b) it has already been received and deferred and the need to transfer it to meet the related costs has already arisen.

15.33 Interest is accrued in proportion to the period elapsed and in relation to the unamortised portion of the principal and the effective interest rate.

15.34 Accounting policies used to recognise revenue in interim reports are identical to those on which annual financial statements are based; fluctuating revenue shall neither be recognised in advance nor deferred to an interim date unless it is appropriate that revenue is to be recognised or deferred at the end of the financial year.

(d) Disclosure of Revenue

15.35 Organisations not subject to auditing shall only disclose information and data required by law, while all other organisations must also satisfy the disclosure requirements in compliance with this Standard. The disclosures are stipulated for all material matters. The organisation shall define the nature and degree of materiality in its internal rules.

15.36 An organisation shall separately disclose the method applied to measure revenue.

15.37 When given their amounts, nature or consequences, the disclosure of specific revenue items is material to explain the performance of an organisation in an accounting period, both the extent and the amount of such items shall be disclosed separately.

C Key Definitions

15.38 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) **Goods or services** under a contract with a customer include in particular:
- (a) the product of the organisation;
- (b) merchandise;
- (c) resale of rights to goods or services purchased by an organisation (for example, a ticket resold by an organisation acting as a principal);
- (d) performing a contractually agreed-upon task (or tasks) for the customer;
- (e) providing a service of standing ready to provide goods or services (for example, unspecified updates to software that are provided on a when-and-if-available basis) or of making goods or services available for a customer to use as and when the customer decides;
- (f) providing a service of arranging for another party to transfer goods or services to a customer (for example, acting as an agent of another party);

(g) granting rights to goods or services to be provided in the future that a customer can resell or provide to its customer (for example, an organisation selling a product to a retailer promises to transfer additional goods or services to an individual who purchases the product from the retailer);

(h) constructing, manufacturing or developing an asset on behalf of a customer;

(i) granting licences; and

(j) granting options to purchase additional goods or services (when those options provide a customer with a material right).

(b) **A customer** is a party that has contracted with an organisation to obtain goods or services that are an output of the organisation's ordinary activities in exchange for consideration. A counterparty to the contract would not be a customer if, for example, the counterparty has contracted with the organisation to participate in an activity or process in which the parties to the contract share in the risks and rewards that result from the activity or process (such as developing an asset in a collaboration arrangement) rather than to obtain the output of the organisation's ordinary activities.

(c) **A contract with a customer** is an agreement between the organisation and the customer that creates enforceable rights and obligations and meets all of the following criteria:

(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

(b) the organisation can identify each party's rights regarding the goods or services to be transferred, including payment terms;

(c) the contract has commercial substance (i.e. the risk, timing or amount of the organisation's future cash flows is expected to change as a result of the contract); and

(d) it is probable that the organisation will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In assessing whether collectability of an amount of consideration is probable, an organisation shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the organisation will be entitled may be less than the price stated in the contract if the consideration is variable.

(d) **Net investment in the lease** is the gross investment in the lease discounted at the interest rate implicit in the lease.

(e) **Gross investment in the lease** is the aggregate of:

(a) the minimum lease payments receivable by the lessor under a finance lease; and

(b) any unguaranteed residual value accruing to the lessor.

(f) **Unguaranteed residual value** is that portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.

D Clarifications

15.39 If a particular contract is within the scope of another SAS, the organisation shall apply the provisions of the other SAS first and, in the alternative, the provisions of SAS 15.

15.40 An organisation accounts for a modification of a contract with a customer as a separate contract if both of the following conditions are met:
(a) the scope of the contract is increased because of the additionally agreed goods or services that are separate; and
(b) the transaction price of the contract is increased by the amount of the consideration that reflects the stand-alone selling prices for the additionally agreed goods or services.

15.41 If a modification of a contract with a customer is not accounted for as a separate contract, the organisation accounts for it in one of the following ways:
(a) as if it were the termination of an existing contract and the entering into of a new contract if the promise to transfer goods or services that have not yet been transferred to the customer at the date of the modification can be identified separately from the goods or services that have already been transferred to the customer at the date of the modification;
(b) as forming part of an existing contract if the promise to transfer goods or services that have not yet been transferred to the customer by the date of the modification cannot be identified separately from the goods or services that have already been transferred to the customer by the date of the modification (and are therefore part of a single performance obligation that is partially performed at the date of the modification). In this case, the effect of the contract modification on the transaction price and the measurement of the organisation's progress towards full satisfaction of the performance obligation is recognised as an adjustment to revenue (as an increase or decrease in revenue) at the date of the contract modification (i.e. the revenue adjustment is made on a cumulative retrospective basis).

15.42 Factors indicating that, in the context of a contract, the promise by the organisation to transfer goods or services to the customer can be identified separately include, but are not limited to, the following:
(a) the organisation does not provide a significant integration of the goods or services with other goods or services into a whole that would constitute the total product for which the customer has contracted. In other words, the organisation does not use the goods or services as an input to produce or provide the common product specified by the customer;
(b) the goods or services do not significantly modify or adapt other contractually agreed goods or services;
(c) the goods or services are not highly dependent on, or closely related to, other contractually agreed goods or services. For example, the fact that a customer could decide not to purchase goods or services without materially affecting other contractually agreed goods or services could mean that the goods or services are not highly dependent on or closely related to other contractually agreed goods or services.

15.43 If the customer contributes goods or services (for example, materials, equipment or labour) to facilitate the organisation's performance of the contract, the organisation assesses whether it obtains control of the contributed goods or services. If so, the contributed goods or services are accounted for as non-monetary consideration received from the customer.

15.44 To assess whether an organisation has transferred control of an asset to a customer, an organisation considers indicators of a transfer of control, including, but not limited to, the following:
(a) The organisation currently has the right to receive payment for the goods or services.
(b) The customer has title to the asset - title may indicate which party to the contract can direct the use of and obtain substantially all the residual benefits of the asset or restrict other organisations' access to those benefits. Therefore, the transfer of title to an asset may indicate that the customer has obtained control of the asset. However, if the organisation retains title solely as a protection against default by the customer, that title would not prevent the customer from obtaining control of the asset.
(c) The organisation has transferred physical possession of the asset - the customer's physical possession of the asset may indicate that the customer can direct the use of, and obtain virtually all of the residual benefits of, the asset or restrict other organisations' access to those benefits. However, physical possession does not necessarily coincide with control of the asset. For example, under some repurchase agreements and some consignment arrangements, the customer or recipient may have physical possession of an asset that is controlled by the organisation. Conversely, under some charge-and-hold arrangements, the organisation may physically hold an asset that is controlled by the customer.
(d) The customer assumes the significant risks and rewards of ownership of the asset - the transfer of the significant risks and rewards of ownership of the asset to the customer may indicate that the customer has acquired the ability to directly use and obtain substantially all of the residual benefits of the asset. However, in assessing the risks and rewards of ownership of a promised asset, an organisation shall exclude any risks that give rise to a separate performance obligation in addition to the performance obligation to transfer the asset. For example, an organisation may have transferred control of an asset to a customer but has not yet fulfilled an additional performance obligation to provide maintenance services related to the transferred asset.
(e) The customer has accepted the asset – The acceptance of the asset by the customer may indicate that it has acquired the ability to direct the use of, and obtain substantially all the residual benefits of the asset.

15.45 An organisation transfers control of goods and services to a customer gradually (and accordingly recognises revenue gradually) if one of the following criteria is met:
(a) the customer obtains and consumes the benefits of the obligation simultaneously with the performance of the obligation;
(b) the organisation's performance of the obligation creates or increases an asset (e.g. work in progress) that is controlled by the customer throughout its creation or increase; or
(c) the organisation's performance of the obligation does not create an asset that the organisation could use in a manner other than that contemplated in the contract, and the organisation has an enforceable right to payment for the portion of the performance obligation that has been performed up to that point.

15.46 Under the output method, progress in meeting a performance obligation is measured by directly comparing the extent of goods and/or services that have been transferred to the customer by the measurement date against all the goods or services promised in the contract.

15.47 Under the input method, progress in meeting a performance obligation is measured (determined) by a direct comparison of the extent of the organisation's inputs (e.g. resources, manhours, machine-hours, costs, elapsed time) that have already been used in meeting the performance obligation up to the measurement date with the total inputs expected to be expended in meeting that performance obligation. The effects of any input that does not show how control of the goods or services is transferred to the customer, for example, should be excluded from the measurement of progress:

(a) when the costs incurred do not contribute to progress in meeting the performance obligation (revenue is not recognised on the basis of costs incurred that are attributable to significant inefficiencies in meeting the performance obligation that were not considered in the contract price);

(b) when the costs incurred are not proportionate to progress in meeting the performance obligation. In these circumstances, the best indication of how the commitments are being performed may be to adjust the input method so that revenue is recognised only to the extent of the costs incurred.

15.48 In applying the progress method, an organisation excludes from the measurement of progress any goods or services for which it does not transfer control to the customer and, conversely, includes in the measurement of progress any goods or services for which it transfers control to the customer in satisfaction of that performance obligation.

15.49 If the customer takes title to the goods purchased and accepts the invoice, but delivery of the goods is deferred at the customer's request, revenue may be recognised for the seller if it is probable that the goods will be delivered and they are available and ready for delivery at the time revenue is recognised.

15.50 If the accrual of a receivable for goods shipped is conditional on the customer's acceptance, revenue is recognised when the customer formally accepts the shipment or when the time period for rejecting the shipment expires.

15.51 If, in a retail sale, the customer has an unlimited right to return the goods, operating revenue is not recognised at the time of sale for the estimated amount of the refund on the sale of the goods that are expected to be returned.

15.52 In a consignment or commission sale in which the consignee undertakes to sell the goods on behalf of the originator, revenue is recognised when the consignee sells the goods to someone else.

15.53 In a sale for an advance payment, where the seller delivers the goods to the customer when the customer pays the final instalment, revenue is generally recognised only when the goods are delivered.

15.54 If the seller receives an advance payment for goods that are not in stock, revenue is recognised when the seller delivers the goods to the customer.

15.55 If goods are sold on an instalment basis, revenue from the sale is recognised only to the extent of the selling price at the time of sale. Interest included in instalments is included in finance income according to the period elapsed.

15.56 If the selling price of a product includes installation costs, installation revenue is recognised when the installation is completed.

15.57 If the selling price of a product includes the cost of inspections and repairs within the warranty period, this does not affect the amount of sales revenue; however, a specific provision is made against operating expenses at the time of sale for the amount of these estimated costs in accordance with SAS 10.

15.58 If the customer has the option to purchase the warranty separately (for example, because the price or terms of the warranty are determined separately), the warranty is a separate service because the organisation promises to provide a service to the customer in addition to the product. In those circumstances, the promised warranty is accounted for as a separate performance obligation.

15.59 A contractual option to purchase additional goods and/or services constitutes a material right when the customer can obtain such additional goods and/or services free of charge or at a price that is lower than it would have been had the customer not entered into the underlying contract. In determining whether a material right exists, an organisation shall take into account any discounts that the customer would have received for such additional goods or services even if it had not entered into the original transaction. These discounts do not constitute a material right.

The stand-alone selling price of such a material right is estimated as the amount of the discount representing the material right, adjusted (multiplied) by the probability that the option to purchase the additional goods and/or services will actually be exercised.

15.60 It is considered that a doubt as to the payment of default interest is justified until the principal has been paid.

15.61 The effects of increases in the fair value of investment property measured using a fair value model are carried as either revaluation financial revenue or revaluation operating revenue, depending on the purpose for which the investment property is held.

15.62 The recognition of revenue by lessors from finance leases shall be designed to reflect a constant periodic rate of return on the lessor's net investment in the finance lease. A lessor shall endeavour to allocate income consistently and prudently over the lease term.

The allocation of revenue is based on a method that shows a constant periodic rate of return on the lessor's net investment in the finance lease.

15.63 For operating leases, revenue from rentals of lessors shall be recognised in operating revenue on a straight-line basis over the term of the lease, even if payments are not received on that basis.

15.64 In a sale and leaseback transaction, an asset is sold and then leased back. The accounting treatment of a sale and leaseback transaction depends on the type (substance) of the lease.

15.65 If a sale and leaseback transaction results in a finance lease, the seller-lessee continues to control the asset and therefore does not derecognise it. In this case, the finance lease is a way for the customer-lessor to finance the seller-lessee, with the asset being the security. Therefore, it is not appropriate to recognise the excess of the selling price over the carrying amount in profit or loss;

instead, the seller-lessee recognises the total consideration received for the asset sold and leased back as the lessee's financial liability under the finance lease.

15.66 If a sale and leaseback transaction results in an operating lease, the difference between the asset's selling price and carrying amount shall be recognised in profit or loss.

15.67 If, at the inception of a new transaction or renewal of an existing lease, the seller - lessor offers the customer - lessee certain incentives to enter into or renew the transaction or lease, those incentives are an adjustment to the revenue or expenses from the transaction or lease over the term of the transaction or lease, respectively. In the case of a lease for an indefinite term, the adjustment to revenue or expenses shall be allocated over a maximum period of 5 years. The incentives given shall include any cash payment by the seller- lessor to the customer -lessee or the assumption of the customer -lessee's costs, such as relocation costs, improvements to the asset, costs related to the customer's or lessee's previous commitments, etc. They also refer to an arrangement whereby the lessor exempts the lessee from paying rent (usually for the initial periods of the lease) or agrees with the lessee to reduce the rent.

E Date of Adoption and Effective Date

15.68 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 4 June 2018. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2019, while other organisations shall first apply it for the financial year beginning after this date. Early application is permitted. If an organisation applies this Standard early, it shall disclose this fact.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 15 – Revenue (2016).

Slovenian Accounting Standard 16 (2016)

IDENTIFICATION AND MEASUREMENT OF FAIR VALUE

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure when another SAS requires or permits fair value measurements or requires disclosure of fair value measurements. It deals with:

(a) the classification of fair value;
(b) the identification of fair value for non-financial assets;
(c) valuation techniques;
(d) the inputs to valuation techniques; and
(e) the fair value hierarchy.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1, 3, 6, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification and Measurement of Fair Value

16.1 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

16.2 When measuring fair value an organisation shall take into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date. Such characteristics include, for example, the following:
(a) the condition and location of the asset; and
(b) restrictions, if any, on the sale or use of the asset.

16.3 An asset that is measured at fair value may be a stand-alone asset (for example, a financial instrument or a non-financial asset), a group of assets (for example, a cash-generating unit or an acquiree).

16.4 A fair value measurement assumes that the asset is exchanged in an orderly transaction between market participants to sell the asset at the measurement date under current market conditions

16.5 A fair value measurement assumes that the transaction to sell or transfer the asset takes place either:
(a) in the principal market for the asset; or
(b) in the absence of a principal market, in the most advantageous market for the asset.

16.6 The organisation shall have access to the principal (or most advantageous) market at the measurement date. Because different organisations (and businesses within those organisations) with different activities may have access to different markets, the principal (or most advantageous) market for the same asset might be different for different organisations (and businesses within those organisations). Therefore, the principal (or most advantageous) market (and thus, market participants) shall be considered from the perspective of the organisation, thereby allowing for differences between and among organisations with different activities.

16.7 An organisation shall measure the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

16.8 The price in the principal (or most advantageous) market used to measure the fair value of the asset shall not be adjusted for transaction costs. Transaction costs are not a characteristic of an asset; rather, they are specific to a transaction and will differ depending on how an organisation enters into a transaction for the asset.

(b) Identifying Fair Value of Non-Financial Assets

16.9 A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

16.10 The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

(a) A use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property).

(b) A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property).

(c) A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate revenue or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

16.11 Highest and best use is determined from the perspective of market participants, even if the organisation intends a different use. However, an organisation's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

16.12 The highest and best use of a non-financial asset establishes the valuation premise used to measure the fair value of the asset, as follows:

(a) The highest and best use of a non-financial asset might provide maximum value to market participants through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities:

- if the highest and best use of the asset is to use the asset in combination with other assets or with other assets and liabilities, the fair value of the asset is the price that would be received in a current transaction to sell the asset assuming that the asset would be used with other assets or with other assets and liabilities and that those assets and liabilities (i.e. its complementary assets and the associated liabilities) would be available to market participants;
- liabilities associated with the asset and with the complementary assets include liabilities that fund operating current assets, but do not include liabilities used to fund assets other than those within the group of assets;
- assumptions about the highest and best use of a non-financial asset shall be consistent for all the assets (for which highest and best use is relevant) of the group of assets or the group of assets and liabilities within which the asset would be used.

(b) The highest and best use of a non-financial asset might provide maximum value to market participants on a stand-alone basis. If the highest and best use of the asset is to use it on a stand-alone basis, the fair value of the asset is the price that would be received in a current transaction to sell the asset to market participants that would use the asset on a stand-alone basis.

16.13 When an asset is acquired in an exchange transaction for that asset, the transaction price is the price paid to acquire the asset (an entry price). In contrast, the fair value of the asset is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Organisations do not necessarily sell assets at the prices paid to acquire them. In many cases, the transaction price will equal the fair value. This may be the case, for example, when, at the date of the transaction, a transaction is entered into to purchase an asset in a market in which the asset would be sold.

(c) Valuation Techniques

16.14 An organisation shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

16.15 The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. An organisation shall use valuation techniques consistent with one or more of those approaches to measure fair value.

16.16 In some cases a single valuation technique will be appropriate (e.g. when valuing an asset using quoted prices in an active market for identical assets). In other cases, multiple valuation techniques will be appropriate (e.g. that might be the case when valuing a cash-generating unit). If multiple valuation techniques are used to measure fair value, the results (i.e. respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

16.17 If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique shall be calibrated so that at initial recognition the result of the valuation technique equals the transaction price. Calibration ensures that the valuation technique reflects current market conditions, and it helps an organisation to determine whether an adjustment to the valuation technique is necessary (e.g. there might be a characteristic of the asset that is not captured by the valuation technique). After initial recognition, when measuring fair value using a valuation technique or techniques that use unobservable inputs, an organisation shall ensure that those valuation techniques reflect observable market data (e.g. the price for a similar asset or liability) at the measurement date.

16.18 Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (e.g. a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if, for example, any of the following events take place:
(a) new markets develop;
(b) new information becomes available;
(c) information previously used is no longer available;
(d) valuation techniques improve; or
(e) market conditions change.

Changes in value related to a valuation technique or its application are treated as a change in an accounting estimate.

(d) Inputs to Valuation Techniques

16.19 Valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

16.20 Examples of markets in which inputs might be observable for some assets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

16.21 An organisation shall select inputs that are consistent with the characteristics of the asset that market participants would take into account in a transaction for the asset. In some cases those characteristics result in the application of an adjustment, such as a premium or discount (e.g. a control premium or non-controlling interest discount). In all cases, if there is a quoted price in an active market (i.e. a Level 1 input), an organisation shall use that price without adjustment when measuring fair value.

16.22 If an asset measured at fair value has a bid price and an ask price (e.g. an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorised within the fair value hierarchy.

(e) Fair Value Hierarchy

16.23 A fair value hierarchy categorises inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

16.24. In some cases, the inputs used to measure the fair value of an asset might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset. Adjustments to arrive at measurements based on fair value, such as costs to sell when measuring fair value less costs to sell, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorised.

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques used to measure fair value. For example, a fair value measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

16.25 If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorised within Level 3 of the fair value hierarchy. For example, if a market participant would take into account the effect of a restriction on the sale of an asset when estimating the price for the asset, an organisation would adjust the quoted price to reflect the effect of that restriction. If that quoted price is a Level 2 input and the adjustment is an unobservable input that is significant to the entire measurement, the measurement would be categorised within Level 3 of the fair value hierarchy.

16.26 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that organisation can access at the measurement date.

16.27 A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available.

16.28 An organisation shall not make an adjustment to a Level 1 input except in the following circumstances:

(a) when an organisation holds a large number of similar (but not identical) assets that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets individually. In that case, as a practical expedient, an organisation may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (e.g. matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorised within a lower level of the fair value hierarchy.

(b) when a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal market, trades in a brokered market or announcements) take place after the close of a market but before the measurement date. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorised within a lower level of the fair value hierarchy.

16.29 Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

16.30 If the asset has a specified (contractual) term, a Level 2 input shall be observable for substantially the full term of the asset. Level 2 inputs include the following:
(a) quoted prices for similar assets in active markets.
(b) quoted prices for identical or similar assets in markets that are not active.
(c) inputs other than quoted prices that are observable for the asset, for example:
- interest rates and yield curves;
- implied volatilities; and
- credit spreads.

(d) market-corroborated inputs.

16.31 Adjustments to Level 2 inputs will vary depending on factors specific to the asset. Those factors include the following:
(a) the condition or location of the asset;
(b) the extent to which inputs relate to items that are comparable to the asset; and
(c) the volume or level of activity in the markets within which the inputs are observed.

16.32 An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorised within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs.

16.33 Level 3 inputs are unobservable inputs for the asset or liability.

16.34 Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset, including assumptions about risk.

16.35 Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset.

16.36 An organisation shall develop unobservable inputs using the best information available in the circumstances, which might include the organisation's own data. In developing unobservable inputs, an organisation may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the organisation that is not available to other market participants (e.g. an organisation-specific synergy).

C Key Definitions

16.37 This Standard uses some terms which need to be explained in order to define the key concepts.
(a**) An active market** is a market in which transactions for an asset are executed frequently enough and in sufficient volume to provide regular price information.
(b) **A market approach** is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, or a group of assets and liabilities.
(c) **A cost approach** is a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). This technique is not generally used to determine fair value for financial reporting purposes.
(d) **An income approach** is a valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
(d) **Highest and best use** is the use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets or groups of assets and liabilities within which the asset would be used.
(e) **Inputs** are the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following:

(a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model); and
(b) the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable.
(f) **Observable inputs** are Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.
(g) **Un-observable inputs** are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.
(h) **Level 1 inputs** are quoted prices (unadjusted) in active markets for identical assets that the organisation can access at the measurement date.
(i) **Level 2 inputs** are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
(j) **Level 3 inputs** are unobservable inputs for the asset.
(k) **Transaction costs** are the costs to sell an asset in the principal (or most advantageous) market for the asset that are directly attributable to the disposal of the asset or result directly from that transaction and are essential to that transaction. They would not have been incurred by the organisation had the decision to sell the asset not been made.
(l) **Principal market** is the market with the greatest volume and level of activity for the asset or liability.
(m) **Most advantageous market is** the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

D Clarifications

16.38 Fair value may be measured reliably if fair value may be measured reliably in accordance with the rules and the definition of:
(a) Level 1 of the fair value hierarchy;
(b) Level 2 of the fair value hierarchy; or
(c) Level 3 of the fair value hierarchy.

Fair value measurements of financial instruments based on Level 3 of the fair value hierarchy may be used only in exceptional circumstances, and only for financial instruments for which a reliable market is not readily identifiable. In these cases, fair value may be determined on the basis of generally accepted valuation models and valuation techniques, if these techniques provide a reasonable approximation of market value.

An organisation determines the fair value of financial instruments by applying the valuation techniques set out in this Standard and, in addition, primarily for Level 3 inputs, by applying International Valuation Standards. It is normally determined by certified valuers.

16.39 The fair value of an asset may be affected by a significant reduction in the volume or level of activity for that asset relative to the normal market activity for the asset or similar assets. To determine whether there has been a significant reduction in the volume or level of activity for an asset based on available evidence, an organisation shall assess the significance and relevance of factors such as:
(a) a small number of recent transactions;
(b) the failure to consider current information in price indications;
(c) significant differences between price indications in different periods or between market makers (e.g. some intermediary markets);
(d) apparent disconnection between indicators that were previously highly correlated with the fair value of an asset and recent fair value indicators for that asset;
(e) a significant increase in risk premiums due to implied liquidity, yields or performance indicators (such as violation rates or loss severity) for observable transactions or quoted prices when compared with the organisation's estimate of expected cash flows, taking into account all available market data on credit risk and other non-performance risk for the asset;
(f) a wide price spread between the minimum and maximum bid prices, or a significant increase in that spread;
(g) a significant reduction or absence of market activity for new issues (i.e. a primary market) for the asset or similar assets;
(h) little publicly available information (e.g. for transactions executed in the market without intermediaries).

16.40 If an organisation determines that there has been a significant reduction in the volume or level of activity for an asset relative to the normal market activity for the asset or similar assets, additional analysis of the transactions or quoted prices is required. A reduction in the volume or level of activity alone does not necessarily mean that the transaction price or quoted price does not represent fair value or that the transaction is not a regular occurrence in that market. However, if an organisation determines that a transaction price or quoted price does not represent fair value (for example, there may be transactions that are not regular), an adjustment to the transactions or quoted prices is necessary if the organisation uses those prices as a basis for measuring fair value, and that adjustment may be relevant to the overall fair value measurement. Adjustments may also be necessary in other circumstances (for example, when the price for a similar asset needs to be significantly adjusted to make it comparable to the asset being measured or when the price is obsolete).

16.41 Determining whether a transaction is regular (or not) is more difficult in the case of a significant reduction in the volume or level of activity for an asset relative to the normal market activity for the asset or similar assets. In such circumstances, it should not be concluded that any transaction in that market is not regular (for example, a forced liquidation or forced sale). Circumstances that may indicate that a transaction is not regular include the following:
(a) insufficient exposure to the market in the period before the measurement date to permit the marketing activities that are customary and applicable to transactions involving such assets under current market conditions;
(b) a marketing period that is customary and applicable but the seller has sold the asset to only one market participant;
(c) the bankruptcy or near-bankruptcy of the seller (forced sale of the seller);
(d) a deviation of the transaction price from prices in other recent transactions for the same or similar asset or liability.

The organisation assesses the circumstances to determine whether, based on the available evidence, the transaction is regular.

16.42 An organisation considers all of the following factors when measuring fair value or estimating market risk premiums:
(a) if the evidence indicates that the transaction is not orderly, the organisation considers that transaction price to be less significant or insignificant (compared with other indicators of fair value);
(b) if the evidence indicates that the transaction is an orderly transaction, the organisation considers that transaction price; the significance of the transaction price relative to other indicators of fair value depends on facts and circumstances, such as the size of the transaction, the comparability of the transaction with the asset being measured, and the proximity of the transaction to the measurement date;
(c) if the organisation does not have sufficient information to determine whether the transaction is regular, it considers the transaction price. However, that transaction price may not represent fair value because the transaction price is not necessarily the sole or primary basis for measuring fair value or estimating market risk premiums. When an organisation does not have sufficient information to determine whether particular transactions are regular, it considers those transactions to be less significant than other transactions that are known to be regular. If an organisation is a party to a transaction, it is presumed to have sufficient information to determine whether the transaction is regular.

16.43 If the location is specific to the asset (as may be the case, for example, for commodities), the price in the principal or most advantageous market is adjusted for the costs, if any, that would be incurred to transport the asset from its current location to the relevant market.

16.44 An organisation determines the fair value of non-financial assets by considering the valuation techniques set out in this Standard and, in addition, applying International Valuation Standards. It is normally determined by certified valuers.

E Date of Adoption and Effective Date

16.45 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

Slovenian Accounting Standard 17 (2016)

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

A Introduction

This Standard applies to the bookkeeping of, accounting for and disclosure of impairment of assets. It deals with:

(a) the classification of impairment and scope of this standard;
(b) when to determine recoverable amount;
(c) the measurement of recoverable amount;
(d) the impairment of goodwill; and
(e) the reversal of impairment loss.

This Standard relates specifically to Slovenian Accounting Standards (SAS) 1, 2, 3, 6, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification and Measurement of Impairment and the Scope of Standard Application

17.1 The objective of this standard is to prescribe the procedures that an organisation applies to ensure that the carrying amount of property, plant and equipment and intangible assets would not exceed their recoverable amount. When the carrying amount of property, plant and equipment or intangible assets exceeds their recoverable amount, the asset is impaired and the organisation shall recognise an impairment loss in the amount of difference between the carrying amount and the recoverable amount of the asset.

17.2 An impairment loss is generally recognised in profit or loss as a revaluation expense.

(b) Indications for the Estimate of Recoverable Amount

17.3 An assets shall be impaired when its carrying amount exceeds its recoverable amount.

17.4 An organisation is not required to estimate the recoverable amount of an asset at each reporting date. It shall simply estimate at each reporting date whether there is any indication that the asset may be impaired. In estimating whether there is any indication that an asset may be impaired, an organisation considers indications from external and internal sources of information.

17.5 The most significant indications from external sources of information are:
(a) during the period, the market value of the asset has decreased more significantly than expected because of the passage of time or normal use;
(b) during the period, significant changes in the technological, market, economic or legal environment in which the organisation operates or in the market for which the asset is intended have occurred or will occur in the foreseeable future that adversely affect the organisation;
(c) market interest rates or other market returns on investments have increased during the period, and these increases are likely to affect the discount rate used in the value in use calculation and significantly reduce the asset's recoverable amount;
(d) the carrying amount of the net assets of the organisation is higher than the market capitalisation of the organisation.

17.6 The most significant indications from internal sources of information are:
(a) there is evidence that the asset is obsolete or physically damaged;
(b) significant changes in the extent or manner of the current or expected use of the asset have occurred during the period or are expected to occur in the foreseeable future that adversely affect the organisation. These changes include the asset not being used, plans to discontinue or reorganise the business to which the asset belongs or to dispose of the asset before a previously expected date, and a reassessment of the useful life of an intangible asset as a finite rather than an indefinite useful life;
(c) evidence is available from internal reporting that indicates that the economic performance of an asset is or will be less than expected, for example:
   - the cash flows to acquire the asset or the subsequent cash requirements to operate or maintain it are significantly greater than originally planned;
   - the actual net cash flows or operating profit flowing from the asset are significantly worse than planned; or
   - a significant decrease in the planned net cash flows or operating profit or a significant increase in the planned loss flowing from the asset.

If any such or similar indication exists, the organisation shall assess the asset's recoverable amount.

17.7 Notwithstanding the provisions of SAS 17.4, an organisation shall review annually the impairment of goodwill and intangible assets with indefinite useful lives or intangible assets that are not yet in use.

(c) Measurement of the Recoverable Amount

17.8 The recoverable amount is the higher of fair value less costs to sell and value in use.

Thus, fair value less costs to sell represents the net amount that an organisation could obtain from the sale of an asset at the measurement date. Value in use represents the present value of the estimated future net receipts expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, taking into account the time value of money.

The determination and measurement of fair value is governed by SAS 16 - Identification and Measurement of Fair Value. If fair value cannot be measured reliably, value in use is taken as the recoverable amount.

17.9 An organisation shall determine the recoverable amount for an asset unless the asset generates net cash inflows that depend principally on those generated by other assets or groups of assets. In such a case, recoverable amount is determined for the cash-generating unit to which the asset belongs unless:
(a) the asset's fair value less costs to sell is greater than its carrying amount; or
(b) the asset's value in use can be estimated to approximate its fair value less costs to sell and is determinable.

17.10 An organisation need not always determine both the fair value less costs to sell and the value in use of an asset. If either amount exceeds the carrying amount of the asset, the asset is not impaired and the other amount need not be estimated.

17.11 In calculating an asset's value in use, an organisation shall consider:
(a) an estimate of the future cash flows that the organisation expects to derive from the asset;
(b) expectations about possible changes in the value or timing of those future cash flows;
(c) the time value of money represented by the current risk-free market interest rate;
(d) the cost of assuming the uncertainties inherent in the asset;
(e) other factors, such as illiquidity, that market participants would consider in valuing the future cash flows that the organisation expects to derive from the asset.

17.12 The assessment of value in use comprises the following steps:
(a) estimating the future receipts and payments that will arise from the continuing use of the asset and from its ultimate disposal;
(b) applying an appropriate discount rate to those future cash flows.

The components in SAS 17.11 (b), (c), and (d) may be reflected either as adjustments to future cash flows or as adjustments to the discount rate. Whichever method an organisation chooses to reflect its expectations about possible changes in the amount or timing of future cash flows, the result shall reflect the expected present value of the future cash flows, that is, the weighted average of all possible outcomes.

17.13 In measuring value in use, an organisation shall consider the following bases for estimating future cash flows:

(a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence;

(b) base cash flow projections on the most recent financial budgets/forecasts approved by management, but shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts shall cover a maximum period of five years, unless management is convinced that such projections are reliable and can demonstrate its ability, based on past experience, to forecast cash flows accurately for such a longer period;

(c) estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate shall not exceed the long-term average growth rate for the products, industries, or country or countries in which the organisation operates, or for the market in which the asset is used.

17.14 Estimates of future cash flows shall include:

(a) projections of cash inflows from the continuing use of the asset;

(b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and

(c) any net cash flows or cash outflows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows and the discount rate shall reflect consistent assumptions about price increases attributable to general inflation. Therefore, if the discount rate includes the effect of price increases attributable to general inflation, future cash flows are estimated in nominal terms. If the discount rate excludes the effect of price increases attributable to general inflation, future cash flows are estimated in real terms (but include future specific price increases or decreases that are not due to general inflation).

Projections of future cash outflows include those for the day-to-day servicing of the asset as well as future overheads that can be attributed directly, or allocated on a reasonable and consistent basis, to the use of the asset.

Future cash flows shall be estimated for the asset in its current condition. The value in use does not reflect:

(a) future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an organisation is not yet committed; or

(b) future cash outflows that will improve or enhance the asset's performance or the related cash inflows that are expected to arise from such outflows.

17.15 When a cash-generating unit consists of assets with different estimated useful lives, all of which are essential to the ongoing operation of the unit, the replacement of assets with shorter lives is considered to be part of the day-to-day servicing of the unit when estimating the future cash flows associated with the unit. Similarly, when a single asset consists of components with different estimated useful lives, the replacement of components with shorter lives is considered to be part of the day-to-day servicing of the asset when estimating the future cash flows generated by the asset.

17.16 The discount rate(s) shall be a pre-tax rate(s) that reflects current market assessments:
(a) the time value of money;
(b) the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

A measure that reflects current market estimates of the time value of money and the risks specific to an asset identifies the return that an investor would require if it could choose an investment that would generate cash flows in an amount, over a period and with risks that are equivalent to those that the organisation expects from the asset. This measure is estimated based on the rate involved in current market transactions in similar assets or on a weighted average cost of capital per listed organisation that has one asset (or set of assets) that is (are) similar in potential performance and risks to the asset under consideration.

However, the discount rate(s) used in measuring value in use shall not incorporate risks that have already been taken into account in estimates of future cash flows. Otherwise, the effect of some assumptions would be taken into account twice. It is therefore very important that the assumptions used in the estimates of future cash flows are consistent with the way the discount rate is determined.

As the time value of money is taken into account by discounting the estimated future cash flows, such cash flows exclude receipts and payments from financing activities. As the discount rate is determined without taking into account the effects of taxation, future cash flows are estimated in the same way.

17.17 If the discount rate for an asset is not directly available in the market, it is usually determined by certified valuers on the basis of International Valuation Standards.

(d) Impairment of Goodwill

17.18 All goodwill arising from a business combination is allocated to one or more cash-generating units. If the carrying amount of a cash-generating unit, including goodwill, exceeds its recoverable amount, an impairment loss measurement of the cash-generating unit follows. The amount of the impairment loss on a cash-generating unit is the excess of the carrying amount of the cash-generating unit over its recoverable amount.

17.19 An impairment loss is allocated as a reduction in the carrying amounts of the assets of a cash-generating unit in the following order:
(a) first, the carrying amount of goodwill allocated to the cash-generating unit (or group of units) is reduced;
(b) then, if necessary, the carrying amounts of the other assets of the cash-generating unit (or group of units) are reduced proportionately to each asset's share of the carrying amount of that asset in the cash-generating unit.

17.20 In allocating an impairment loss, an organisation shall not reduce the carrying amount of an individual cash-generating unit asset below the greater of:
(a) fair value less costs to sell (if determinable);
(b) value in use (if determinable);
(c) zero.

The amount of the impairment loss that would otherwise be allocated to the asset shall be allocated proportionately to the other assets of the cash-generating unit.

17.21 An impairment loss cannot be reversed in goodwill.

(e) Reversal of an Impairment Loss

17.22 An organisation shall assess at each reporting date whether there is any indication that an impairment loss recognised in previous years for an asset may no longer exist or may have decreased. In assessing whether there is any indication that an impairment loss on an asset recognised in prior years may no longer exist, an organisation considers indications from external sources of information, such as that the market value of the asset has increased significantly during the period (applying SAS 17.5); and from internal sources of information, such as that evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected (apply SAS 17.6). If any such indication exists, the organisation shall estimate the recoverable amount of that fixed asset.

17.23 Impairment losses recognised in respect of an asset (other than goodwill) in prior periods shall be reversed only when the estimate used to determine the asset's recoverable amount has changed since the last impairment loss was recognised.

In such a case, the carrying amount of the asset shall be increased to its recoverable amount, but the new carrying amount shall not be greater than the carrying amount that would have been determined if no impairment loss had been recognised for the asset. Such an increase in the carrying amount of the asset is a reversal of the impairment loss.

17.24 A reversal of an impairment loss shall be recognised immediately in profit or loss as revaluation revenue unless the asset is carried at revalued amount under the revaluation model.

Any reversal of an impairment loss on a revalued asset shall be treated as an increase from the revaluation. A reversal of an impairment loss on a revalued asset shall be attributed directly to equity in the revaluation reserve.

However, if an impairment loss on the same revalued asset has previously been recognised in the income statement, the reversal of that impairment loss shall also be recognised in profit or loss.

17.25 A reversal of an impairment loss of a cash-generating unit shall be allocated as an increase in the carrying amount of the assets - other than goodwill - of that unit in proportion to the carrying amounts of those assets. Increases in carrying amount are treated as reversals of impairment losses on individual assets and recognised in accordance with SAS 17.24.

17.26 In allocating a reversal of an impairment loss of a cash-generating unit under SAS 17.25, the carrying amount of an individual asset shall not be increased beyond the lesser of:
(a) its recoverable amount (if determinable);
(b) the carrying amount that would have been determined (net of any depreciation or amortisation) if no impairment loss had been recognised in previous periods.

The amount of the reversal of an impairment loss that would otherwise be allocated to the asset shall be allocated proportionately to other assets of the unit other than goodwill.

C Key Definitions

17.27 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) **A cash-generating unit** is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are generally considered units representing the lowest level in the organisation at which goodwill is controlled for internal management purposes.
(b) **Goodwill** recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination (acquiree) that are not individually identified and separately recognised.
(c) **An impairment loss** is the amount by which the carrying amount of an asset exceeds its recoverable amount.
(d**) A recoverable amount** is the higher of an asset's fair value less costs to sell and its value in use.

D Clarifications

17.28 This Standard also applies to impairment of investment property measured at cost after recognition and investments in subsidiaries, associates and jointly controlled entities measured at cost. Impairment of other investments is governed by SAS 3.

17.29 Value in use is an organisation-specific value that reflects an organisation's knowledge and estimates, as well as organisation-specific factors that may be unique to the organisation and not to organisations in general.

17.30 Costs of sales deducted from fair value include, for example, legal costs, fees and similar charges, costs of disposing of the asset and direct incremental costs associated with preparing the asset for sale. Termination benefits under SAS 13 and costs associated with the reduction or reorganisation of operations following the disposal of an asset are not considered to be direct incremental costs of disposing of the asset.

17.31 A reversal of an impairment loss reflects an increase in the estimated value of an asset from the date of its use or sale after the date on which the organisation last recognised an impairment loss on that asset. Changes in estimates are a change in the basis for recoverable amount (that is, whether recoverable amount is based on value in use or fair value less costs to sell), a change in the amount or timing of estimated future cash flows or the discount rate if recoverable amount was based on value in use; or a change in the estimate of the components of fair value if recoverable amount was based on fair value less costs to sell.

17.32 The value in use of an asset may be higher than its carrying amount simply because the present value of future net receipts increases as cash flows approach. However, the service potential of the asset is not greater. Therefore, an impairment loss is not reversed merely because time elapses, even if the asset's recoverable amount is higher than its carrying amount.

E Date of Adoption and Effective Date

17.33 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

SLOVENSKI INŠTITUT za REVIZIJO

Slovenian Accounting Standard 20 (2016)

FORMATS OF A BALANCE SHEET FOR EXTERNAL BUSINESS REPORTING

A Introduction

This Standard applies to the preparation of financial statements of accounts showing assets and liabilities at a certain point in time. It deals with:

(a) the classification of statements of financial position for external business reporting,
(b) the basic classification of items in a balance sheet for external business reporting,
(c) the modified classification of items in a balance sheet for external business reporting, and
(d) the disclosure of items in a balance sheet for external business reporting.

As regards the valuation of items included in the balance sheet, and additional disclosures, the Standard specifically relates to Slovenian Accounting Standards (SASs) 1–11, as well as to SAS 16 and SAS 17.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Statements of Financial Position for External Business Reporting

20.1 A statement of financial position is a basic financial statement showing a true and fair view of assets and liabilities at a certain point in time (at the end of the financial year or of the interim period) for which it is prepared.

20.2 A statement of financial position is prepared for either general or specific purposes to meet the needs of external financial reporting. The scope and the classification of items in a statement of financial position depend on the type and the nature of the organisation.

20.3 A statement of financial position shall be prepared in an account form of balance sheet.

(b) Basic Classification of Items in a Balance Sheet for External Business Reporting

20.4 In large and medium-sized organisations the balance sheet shall be structured in compliance with the requirements of the Companies Act; it shall contain some additional items and some more precisely defined shorter technical terms used in the chart of accounts.

Assets

A Long-term assets

I Intangible assets and long-term deferred costs and accrued revenue

1 Concessions, patents, licences, trademarks and similar rights
2 Goodwill
3 Advances for intangible assets
4 Long-term deferred development costs
5 Other long-term deferred costs and accrued revenue

II Property, plant and equipment

1 Land and buildings
(a) Land
(b) Buildings

2 Manufacturing plant and equipment
3 Other plant and equipment
4 Property, plant and equipment being acquired
(a) Property, plant and equipment in the course of construction
(b) Advances for acquisition of property, plant and equipment

In case of biological assets, the following items shall also be included:

5 Rearing herd
6 Vineyards, orchards and other plantations

III Investment property

IV Long-term investments

1 Long-term investments, excluding loans

(a) Shares and interests in group companies
(b) Shares and interests in associates
(c) Other shares and interests
(d) Other long-term investments

2 Long-term loans

(a) Long-term loans to group companies
(b) Long-term loans to others
(c) Long-term unpaid called-up capital

V Long-term operating receivables

1 Long-term operating receivables due from group companies
2 Long-term operating receivables due from customers / Long-term trade receivables
3 Long-term operating receivables due from others

VI Deferred tax assets

B Current assets

I Assets (disposal groups) held for sale

II Inventories

1 Material
2 Work in progress
3 Products and merchandise
4 Advances for inventories

III Short-term investments

1 Short-term investments, excluding loans

(a) Shares and interests in group companies
(b) Other shares and interests
(c) Other short-term investments

2 Short-term loans

(a) Short-term loans to group companies
(b) Short-term loans to others
(c) Short-term unpaid called-up capital

IV Short-term operating receivables

1 Short-term operating receivables due from group companies
2 Short-term operating receivables due from customers / Short-term trade receivables
3 Short-term operating receivables due from others

V Cash

C Short-term deferred costs and accrued revenue

Equity and Liabilities

A Equity

I Called-up capital

1 Share capital
2 Uncalled capital (as a deduction item)

II Capital surplus (share premium)

III Revenue reserves

1 Legal reserves
2 Reserves for own shares and interests
3 Own shares and interests (as a deduction item)
4 Statutory reserves
5 Other revenue reserves

IV Revaluation surplus
V Fair value reserves
VI Retained earnings or losses
VII Net profit or loss for the period

B Provisions and long-term accrued costs and deferred revenue

1 Provisions for pensions and similar liabilities
2 Other provisions
3 Long-term accrued costs and deferred revenue

C Long-term liabilities

I Long-term financial liabilities

1 Long-term financial liabilities to group companies
2 Long-term financial liabilities to banks
3 Long-term financial liabilities from bonds
4 Other long-term financial liabilities

II Long-term operating liabilities

1 Long-term operating liabilities to group companies
2 Long-term operating liabilities to suppliers / Long-term trade payables
3 Long-term bills payable

4 Long-term operating liabilities from advances
5 Other long-term operating liabilities

III Deferred tax liabilities

D Short-term liabilities

I Liabilities of disposal groups

II Short-term financial liabilities

1 Short-term financial liabilities to group companies
2 Short-term financial liabilities to banks
3 Short-term financial liabilities from bonds
4 Other short-term financial liabilities

III Short-term operating liabilities

1 Short-term operating liabilities to group companies
2 Short-term operating liabilities to suppliers / Short-term trade payables
3 Short-term bills payable
4 Short-term operating liabilities from advances
5 Other short-term operating liabilities

E Short-term accrued costs and deferred revenue

20.5 Theoretically possible items that are not relevant to a specific organisation shall not be presented in the official document.

20.6 In a balance sheet, amounts are presented in two columns: the first comprises actual data at the balance-sheet date while the second presents data relevant at the last date of the previous accounting period. Information relevant to the prior accounting period shall not be restated.

(c) Modified Classification of Items in a Balance Sheet for External Business Reporting

20.7 Medium-sized organisations are obliged to prepare their balance sheet in full-format, yet they are allowed to use an abbreviated format for public presentation, as follows:

Assets

A Long-term assets

I Intangible assets and long-term deferred costs and accrued revenue

1 Intangible assets
2 Long-term deferred costs and accrued revenue

II Property, plant and equipment
1 Land and buildings
(a) Land
(b) Buildings
2 Manufacturing plant and equipment
3 Other plant and equipment
4 Advances for acquisition of property, plant and equipment; and property, plant and equipment in the course of construction
In case of biological assets, the following items shall also be included:
5 Rearing herd
6 Vineyards, orchards and other plantations

III Investment property
IV Long-term investments
1 Long-term investments, excluding loans
(a) Shares and interests in group companies
(b) Other long-term investments
2 Long-term loans
(a) Long-term loans to group companies
(b) Other long-term loans

V Long-term operating receivables
1 Long-term operating receivables due from group companies
2 Long-term operating receivables due from others

VI Deferred tax assets

B Current assets
I Assets (disposal groups) held for sale
II Inventories
III Short-term investments
1 Short-term investments, excluding loans
(a) Shares and interests in group companies
(b) Other short-term investments
2 Short-term loans
(a) Short-term loans to group companies
(b) Short-term loans to others
IV Short-term operating receivables
1 Short-term operating receivables due from group companies
2 Short-term operating receivables due from others
V Cash

C Short-term deferred costs and accrued revenue

Equity and Liabilities

A Equity

I Called-up capital
1 Share capital
2 Uncalled capital (as a deduction item)

II Capital surplus (share premium)
III Revenue reserves
1 Legal reserves
2 Reserves for own shares and interests
3 Own shares and interests (as a deduction item)
4 Statutory reserves
5 Other revenue reserves

IV Revaluation surplus

V Fair value reserves

VI Retained earnings or losses

VII Net profit or loss for the period

B Provisions and long-term accrued costs and deferred revenue

1 Provisions
2 Long-term accrued costs and deferred revenue

C Long-term liabilities

I Long-term financial liabilities
1 Long-term financial liabilities to group companies
2 Long-term financial liabilities to banks
3 Other long-term financial liabilities

II Long-term operating liabilities
1 Long-term operating liabilities to group companies
2 Long-term operating liabilities to suppliers / Long-term trade payables
3 Other long-term operating liabilities

III Deferred tax liabilities

D Short-term liabilities

I Liabilities of disposal groups

II Short-term financial liabilities
1 Short-term financial liabilities to group companies
2 Short-term financial liabilities to banks
3 Other short-term financial liabilities

III Short-term operating liabilities
1 Short-term operating liabilities to group companies
2 Short-term operating liabilities to suppliers / Long-term trade payables
3 Other short-term operating liabilities

E Short-term accrued costs and deferred revenue

20.8 Small organisations and micro organisations are allowed to breakdown their balance sheet merely to the following items:

Assets

A Long-term assets

I Intangible assets and long-term deferred costs and accrued revenue
1 Intangible assets
2 Long-term deferred costs and accrued revenue

II Property, plant and equipment

III Investment property

IV Long-term investments
1 Long-term investments, excluding loans
2 Long-term loans

V Long-term operating receivables

VI Deferred tax assets

B Current assets

I Assets (disposal groups) held for sale

II Inventories

III Short-term investments

1 Short-term investments, excluding loans
2 Short-term loans

IV Short-term operating receivables

V Cash

C Short-term deferred costs and accrued revenue

Equity and Liabilities

A Equity

I Called-up capital

1 Share capital
2 Uncalled capital (as a deduction item)

II Capital surplus (share premium)

III Revenue reserves

IV Revaluation surplus

V Fair value reserves

VI Retained earnings or losses

VII Net profit or loss for the period

B Provisions and long-term accrued costs and deferred revenue

1 Provisions
2 Long-term accrued costs and deferred revenue

C Long-term liabilities

I Long-term financial liabilities

II Long-term operating liabilities

III Deferred tax liabilities

D Short-term liabilities

I Liabilities of disposal groups

II Short-term financial liabilities

III Short-term operating liabilities

E Short-term accrued costs and deferred revenue

20.9 The balance sheet for an interim period is a condensed balance sheet; however, it should encompass, at a minimum, each of the headings and subtotals under SAS 20.4 that were included in the most recent annual balance sheet, as well as selected notes required by this Standard.

(d) Disclosure of Items in a Balance Sheet for External Business Reporting

20.10 Organisations that are not subject to auditing are required to disclose only the legally prescribed information and data and other organisations shall meet also the requirements for disclosure in line with this Standard. These disclosures are prescribed for all material matters. The nature and level of materiality shall be defined by the organisation in its internal rules.

20.11 In relation to accounting policies, the following shall be described in the notes:

(a) the measurement bases used for economic categories stated in the balance sheet;

(b) the accounting policies necessary for proper understanding of the balance sheet.

20.12 When a change in accounting policies significantly affects the current accounting period or any previously presented accounting period, the following shall be disclosed:

(a) the reason for the change;

(b) the restatement amount for the relevant item in the financial statement; and

(c) the restatement amount included in comparative information.

20.13 The following information shall be disclosed:

(a) the nature of a prior period error corrected in the accounting period considered;

(b) the restatement amount of the item involved in the financial statement;

(c) the correction amount included in comparative information; and

(d) the transactions after the balance-sheet date and at the date of approval (adoption) of the annual report.

20.14 Assets and liabilities (debts) are restated in the balance sheet in accordance with to events after the balance sheet date, if these events give rise to additional evidence useful in estimating the amounts that affect the assets and liabilities (debts) at the balance sheet date or indicate that the going concern assumption relating to the complete organisation or its part is not correct. Assets and liabilities (debts) are not restated in accordance with the events after the balance sheet date that do not affect the balance of assets and liabilities (debts) at the balance-sheet date, but shall be disclosed if they are so material that they would otherwise reduce the possibility of balance sheet users to make appropriate estimates and to take correct decisions. In doing so, information shall be provided on the nature of the event and an estimate of the amount or a statement that such an estimate is not possible.

20.15 An organisation that is a joint stock company shall disclose dividends relating to the accounting period for which the balance sheet is prepared, proposed or published after the balance sheet date, but before the approval of the financial statements.

An organisation that is a joint stock company shall disclose the weighted average number of outstanding ordinary shares during the accounting period. Weighted average number of outstanding ordinary shares during the accounting period and in all periods presented shall be restated for events that change the outstanding ordinary shares, with no corresponding change in sources, except for conversions of potential (contingent) ordinary share.

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares is increased by the weighted average number of ordinary shares that would be issued if the organisation converted all of the following diluted potential ordinary shares to ordinary shares. Diluted potential ordinary shares are assumed to have been converted to ordinary shares at the beginning of the accounting period or at the date of issue of the potential ordinary shares, if later. For the purpose of calculating diluted earnings per share, the organisation shall assume the exercise of rights associated with its diluted options and other diluted potential ordinary shares. The assumed proceeds from those issues shall be considered to have been received from the issue of shares at fair value. The difference between the number of shares issued and the number of shares issued by the organisation at fair value shall be treated as an issue of ordinary shares for no consideration. Potential ordinary shares shall be treated as diluted only if their conversion to ordinary shares reduces net profit per share from continuing ordinary operations.

20.16 Items in the balance sheet are stated at amortised cost as the difference between the total amount and the accumulated depreciation. Disclosed are also the actual or revalued cost and the accumulated depreciation of each category of property, plant and equipment at the end of the financial year. The notes also disclose which property, plant and equipment are acquired through finance leases.

20.17 Disclosures relating to each category in the balance sheet shall comply with the requirements explained in SASs 1-11.

20.18 The notes to the interim balance sheets shall include:

(a) a statement that the same accounting policies and methods have been applied as in the most recent annual financial statement; if any changes occurred, the nature and amount shall be described;

(b) the nature and amount of changes in estimates of amounts reported in previous interim periods of the same financial year, or changes in estimates of the amounts which were reported in the previous financial years, if such changes have a material effect on the interim period under review;

(c) significant events after the end of the interim period that were not presented in the balance sheets for the interim period.

20.19 If an estimate of the amount reported for an interim period changes significantly in the last interim period of the financial year, but a special balance sheet is not published for the last interim period, the nature and the amount of that change in estimate shall be disclosed in the notes to the annual balance sheet for that financial year.

C Key Definitions

20.20 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Assets are things, rights and cash expressed in a monetary unit of measure, which by right of property are at the disposal and under control of an organisation. From the financial point of view, assets are associated with an organisation's investing activity.

(b) Equity and liabilities are obligations arising from a legal relationship established by an organisation with equity holders and creditors with the aim of financing the organisation. The organisation maintains the assets held, and pays them back within specific periods of time, inclusive of the interest earned or another type of compensation. From the financial point of view, liabilities to equity holders and creditors are associated with an organisation's financing activity.

(c) Long-term assets are assets that are usually transformed during a period of more than one year. They comprise property, plant and equipment, intangible assets, long-term deferred costs, investment property, long-term investments, long-term operating receivables and deferred tax assets.

(d) Current assets are assets that are usually transformed during a period of less than one year. They comprise assets held for sale, inventories, short-term operating receivables, short-term investments, cash and short-term deferred costs and accrued revenue.

(e) Investments are loans given by lenders to borrowers; for the former they represent long-term or short-term investments in loans, and investments in shares and interests. In addition, they include purchased debt securities.

(f) Financial liabilities are predominantly loans that borrowers received from lenders; for the former they represent long-term financial liabilities or short-term financial liabilities.

(g) Operating receivables are receivables associated with the operating of an organisation, and not with its financing or investing activities; operating receivables can be long-term or short-term in nature.

(h) Operating liabilities are liabilities (debts) associated with the operating of an organisation, and not with its financing or investing activities; operating liabilities can be long-term or short-term in nature.

(i) Equity is a liability to the owners of the organisation as providers of funds for the organisation's activities; they fall due, if and when the organisation ceases to operate or a resolution is adopted to reduce the organisation's equity as the result of a decrease in the scope of its operations. When considered from a financial point of view, it may also be referred to as owners' capital to show that it should be distinguished from debt capital (creditors' capital).

(j) Liabilities in broader sense are obligations of the organisation, arising from its legal and property relations, to settle amounts owed, to supply products owed or to render services owed.

(k) Long-term liabilities are liabilities with ultimate maturity during a period of more than one year. Their portions that fall due within one year are short-term liabilities.

(l) Short-term liabilities are liabilities with maturity of less than or equal to the period of one year.

(m) Statement of financial position is a financial statement showing assets and equity and liabilities at a certain point in time. It may be presented in the format of a balance sheet or as a report form of statement of financial position.

(n) Own shares (own interests) are shares (interests) that have been repurchased by the issuer.

D Clarifications

20.21 The classification of organisations into large, medium-sized and small ones is regulated by the Companies Act.

20.22 Rights to immovable property and other similar rights that are recognised and measured as intangible assets in the books of account under SAS 2, are presented in the balance sheet under the item land and buildings.

20.23 An annual balance sheet shall be prepared once the items in the books of account have been reconciled with the results of an inventory of assets and equity and liabilities, and under the assumption of compliance with the going concern principle.

20.24 The annual balance sheet shall take into account the application of net profit and the settlement of net loss pursuant to the provisions of law or a resolution of the relevant body.

Liabilities for dividends and profit-sharing liabilities in respect of the accounting period for which the balance sheet is prepared shall be recorded in the following financial year.

20.25 The date of approval of the annual report shall be the date on which the Board of Directors or the management approves the annual report and thereby assumes responsibility for it. The date of approval (adoption) of the annual report is the date on which the competent body approves (adopts) the annual report.

E Date of Adoption and Effective Date

20.26 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical

with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 24 – Formats of a Balance Sheet for External Business Reporting (2006).

SLOVENSKI INŠTITUT za REVIZIJO

Slovenian Accounting Standard 21 (2016)

FORMATS OF AN INCOME STATEMENT FOR EXTERNAL BUSINESS REPORTING

A Introduction

This Standard applies to the preparation of a financial statement, which shows profit or loss for a specified period for organisations founded under the Companies Act. The specifics of income statements for certain organisations are regulated by SASs 30 to 39. It deals with:
(a) the classification of income statements for external business reporting;
(b) the basic classification of items in an income statement for external business reporting;
(c) the modified classification of items in an income statement for external business reporting;
(d) the disclosure of items in an income statement for external business reporting.

This Standard does not deal with the formats of reporting for tax or statistical purposes.

As regards the valuation of items included in the income statement and additional disclosure, this Standard relates to the Slovenian Accounting Standards (SASs) 1 to 17.

The Standard (Section B) shall be read in the context of key definitions (Section C), the clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Income Statements for External Business Reporting

21.1 An income statement is a basic financial statement showing a true and fair view of the profit or loss of an organisation for the financial year or interim periods for which it is prepared.

21.2 An income statement is prepared for either general or the specific purposes to meet he needs of external reporting. The scope and the classification of the items of this statement depend on its type and on the nature of the organisation.

21.3 The statement of (total) comprehensive income is a financial statement that gives a true and fair view of the components of the income statement for the periods for which it is prepared as well as the components of other comprehensive income.

Other comprehensive income includes those items that are not recognised in profit or loss but affect the size of total equity, if required by other SASs.

The total comprehensive income shows changes in equity during a period, except those resulting from transactions with owners.

Organisations not subject to auditing shall draw up an income statement, but are not required to draw up a statement of (total) comprehensive income or other comprehensive income.

SLOVENSKI INŠTITUT

(b) Basic Classification of Items in an Income Statement for External Business Reporting

21.4 An income statement shall have a report form.

21.5 An income statement can be prepared in one of the two report forms (format I and format II). The preferential format applied in this Standard is format II; however an organisation is free to choose the format that best fits its needs, also with respect to its international relations.

21.6 In accordance with the requirements of the Companies Act, an income statement under format I shall have the basic classification for all organisations, irrespective of their size.

1 Net sales
2 Change in inventories of products and work in progress
3 Capitalised own products and own services
4 Other operating revenue (including revaluation operating revenue)
5 Costs of goods, materials and services
  (a) Cost of goods and materials sold and costs of materials used
  (b) Costs of services
6 Labour costs
  (a) Payroll costs
  (b) Social security costs (with a separate presentation of pension insurance costs)
  (c) Other labour costs
7 Write-downs in value
  (a) Depreciation and amortisation expense
  (b) Revaluation operating expenses associated with intangible assets and property, plant and equipment
  (c) Revaluation operating expenses associated with current operating assets
8 Other operating expenses
9 Financial revenue from shares
  (a) Financial revenue from shares in group companies
  (b) Financial revenue from shares in associates
  (c) Financial revenue from shares in other companies
  (d) Financial revenue from other investments
10 Financial revenue from loans
  (a) Financial revenue from loans to group companies
  (b) Financial revenue from loans to others
11 Financial revenue from operating receivables
  (a) Financial revenue from operating receivables due from group companies
  (b) Financial revenue from operating receivables due from others
12 Financial expenses due to impairment and write-offs of investments
13 Financial expenses for financial liabilities
  (a) Financial expenses for loans received from group companies
  (b) Financial expenses for loans received from banks
  (c) Financial expenses for bonds issued
  (d) Financial expenses for other financial liabilities
14 Financial expenses for operating liabilities
  (a) Financial expenses for operating liabilities to group companies
  (b) Financial expenses for operating liabilities to suppliers and bills payable
  (c) Financial expenses for other operating liabilities

15 Other revenue
16 Other expenses
17 Income tax
18 Deferred taxes
19 Net profit or loss for the period
(1 ± 2 + 3 + 4 − 5 − 6 − 7 − 8 + 9 + 10 + 11 − 12 − 13 − 14 + 15 − 16 − 17 ± 18)

21.7 In accordance with the requirements of the Companies Act, an income statement under format II shall have the basic classification for all organisations, irrespective of their size.

1 Net sales
2 Production costs of goods sold (including depreciation and amortisation) or cost of goods sold
3 Gross profit or loss from sales (1-2)
4 Selling costs (including depreciation and amortisation)
5 General and administrative cost (including depreciation and amortisation)
  (a) General and administrative costs
  (b) Revaluation operating expenses associated with intangible assets and property, plant and equipment
  (c) Revaluation operating expenses for current operating assets
6 Other operating revenue (including revaluation operating revenue)
7 Financial revenue from shares
  (a) Financial revenue from shares in group companies
  (b) Financial revenue from shares in associates
  (c) Financial revenue from shares in other companies
  (d) Financial revenue from other investments
8 Financial revenue from loans
  (a) Financial revenue from loans to group companies
  (b) Financial revenue from loans to others
9 Financial revenue from operating receivables
  (a) Financial revenue from operating receivables due from group companies
  (b) Financial revenue from operating receivables due from others
10 Financial expenses due to impairment and write-offs of investments
11 Financial expenses for financial liabilities
  (a) Financial expenses for loans received from group companies
  (b) Financial expenses for loans received from banks
  (c) Financial expenses for bonds issued
  (d) Financial expenses for other financial liabilities
12 Financial expenses for operating liabilities
  (a) Financial expenses for operating liabilities to group companies
  (b) Financial expenses for operating liabilities to suppliers and bills payable
  (c) Financial expenses for other operating liabilities
13 Other revenue
14 Other expenses
15 Income tax
16 Deferred taxes
17 Net profit or loss for the period
(3 − 4 − 5 + 6 + 7 + 8 + 9 − 10 − 11 − 12 + 13 − 14 −15 ± 16)

21.8 After preparing the income statement, in which an organisation presents items 1 to 19 of SAS 21.6 (format I) and items 1 to 17 of SAS 21.7 (format II), it shall prepare a statement of other comprehensive income, in which it shows item 19 of SAS 21.6 and items 20 to 24 of SAS 21.8 (format I) and item 17 of SAS 21.7 and items 18 to 22 of SIAS 21.8 (format II), respectively.

The organisation shall present other comprehensive income items excluding the related tax effects (net method), and disclose the amount of deferred tax for each other comprehensive income item in the notes to the financial statements.

Format I
19 Net profit or loss for the period
20 Changes in revaluation surplus from revaluation of property, plant and equipment
21 Changes in reserves arising from fair value measurement
22 Gains and losses arising from the translation of financial statements of foreign operations (effects of changes in foreign exchange rates)
23 Other comprehensive income components
24 Total comprehensive income for the accounting period (19 + 20 + 21 + 22 + 23)

Format II
17 Net profit or loss for the period
18 Changes in revaluation surplus from revaluation of property, plant and equipment
19 Changes in reserves arising from fair value measurement
20 Gains and losses arising from the translation of financial statements of foreign operations (effects of changes in foreign exchange rates)
21 Other comprehensive income components
22 Total comprehensive income for the accounting period (17 + 18 + 19 + 20 + 21)

Instead of two statements, the first showing the income statement components (a separate statement) and the second starting with the profit or loss and showing other comprehensive income components (statement of comprehensive income), an organisation may present all items of recognised revenue and expenses in the accounting period in a single statement of (total) comprehensive income, in which it shows items 1-19 of SAS 21.6 and items 20-24 of SAS 21.8 (format I), or items 1-17 of SAS 21.7 and items 18-22 of SAS 21.8 (format II).

21.9 Theoretically possible items that are not relevant to a specific organisation shall not be presented in its income statement.

21.10 In addition to item 24 of SAS 21.8 (format I) or item 22 of SAS 21.8 (format II) of the total comprehensive income for the accounting period, an organisation shall also present the following items:

25 or 23 Retained earnings (+)/Retained losses (-);
26 or 24 Reduction (reversal) in capital surplus (+);
27 or 25 Reduction (reversal) in revenue reserves, by type of revenue reserves (+);
28 or 26 Increase (additional formation of) in revenue reserves, by types of reserves (-);
29 or 27 Reduction by the amount of long-term deferred development costs at the balance sheet date (-);

Accumulated profit (as the sum of net profit/net loss and corresponding items 25 or 23, 27 or 25, 28 or 26 and 29 or 27);

Accumulated loss (as the sum of net profit/net loss and corresponding items 25 or 23, 26 or 27 or 25, 28 or 26 and 29 or 27).

An organisation may disclose this information in the appendix to the statement of changes in equity or in the notes to the financial statements and not in the income statement.

21.11 The income statement shows the amounts in two columns: in the first column the data realised in the accounting period considered, and in the second column the data realised in the same period of the previous accounting period.

In the income statement for the interim period, the amounts in the column for the interim period considered are supplemented in the following column with the amounts for the financial year considered up to a given date and again in the following column with the data for the comparable interim periods of the previous financial year.

(c) Modified Classification of Items in an Income Statement for External Business Reporting

21.12 The basic classification of items in an income statement shall be adjusted to the size of the organisation, and to its status as either a parent or a subsidiary organisation, and to interim reporting.

21.13 Medium-sized and large organisations shall additionally classify net sales into revenue from domestic sales and revenue from foreign sales. Organisations that are neither parents nor subsidiaries, small organisations, micro organisations and organisations not subject to auditing, will not classify items 9 to 14 in format I income statement under SAS 21.6, or items 7–12 in format II income statement under SAS 21.7.

21.14 An income statement for the interim period may be condensed; nevertheless, it shall encompass, at a minimum, each of the headings and subtotals included, in the most recent annual income statement, as well as the selected notes required by this Standard.

(d) Disclosure of Items in an Income Statement for External Business Reporting

21.15 Notes to the income statement shall include the following:
(a) the information about the basis of preparation of the income statement and the specific accounting policies selected and applied for significant transactions and other business events;
(b) the information required by the Slovenian Accounting Standards and the Companies Act that is not stipulated to appear in the income statement;
(c) additional information that is not stipulated to appear on the face of the income statement, but that is necessary for true and fair presentation.

21.16 All organisations are required to present the mandatory notes to the income statement, stipulated as such in the Companies Act. Some additional disclosures stipulated by the Slovenian Accounting Standards are mandatory for organisations subject to auditing.

All organisations shall disclose separately the nature and amount of their revenue and expenses of a significant value, unless presented elsewhere. These are primarily revenue and expenses relating to the following:

(a) the reduction in the value of inventories to the net realisable value or their write-off or accumulated depreciation of property, plant and equipment to the recoverable amount and the reversal (cancellation) of such accumulated depreciation;
(b) disposals of property, plant and equipment;
(c) disposals of investments;
(d) discontinued operations;
(e) settlement of litigations;
(f) restructuring of the company's operations and reversal (cancellations) of all restructuring provisions;
(g) other reversals (cancellations) of provisions.

21.17 In relation to accounting policies, the following shall be described in the notes:
(a) the measurement basis used for economic categories stated in the income statement;
(b) accounting policies necessary for proper understanding of the income statement;
(c) the nature of changes in accounting policies and accounting estimates as well as the reason and the amount of such changes (when the amount cannot be calculated, this fact should also be disclosed);
(d) the nature and the amount of the correction of a material error.

21.18 In the notes to the income statement an organisation shall include the following information, if not disclosed elsewhere:
(a) the seat and legal form of the organisation;
(b) the nature of the organisation's operations and its core activities;
(c) the name of the parent organisation;
(d) the number of employees at the end of the accounting period.

21.19 In addition to the items included in formats I and II of an income statement, public limited companies shall specifically present net profit attributable to ordinary shareholders and, in particular, the net profit attributable to preference shareholders. Net profit attributable to ordinary shareholders shall be presented as basic net profit and diluted net profit. The latter is the net profit or loss attributable to ordinary shareholders, adjusted to the effects of diluted potential ordinary shares. It differs from the former by the effect caused after the payment of taxes by:
(a) any dividends on diluted potential ordinary shares deducted in calculating the former;
(b) interest recognised in the accounting period for diluted potential ordinary shares; and
(c) any other changes in revenue or expenses arising from the conversion of diluted potential ordinary shares.

An organization shall present its basic and diluted earnings per share for all classes of ordinary shares associated with different rights to a share in the net profit for the accounting period. Both types of earnings shall be presented equally visible for all accounting periods presented. Such a presentation is required even when the presented amounts are negative (loss per share).

If the number of ordinary or potential ordinary shares outstanding increases as a result of a bonus issue of shares based on the transfer of reserves to the company's share capital or due to special premium to the existing shareholders or as a result of a share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all accounting periods presented shall be adjusted. If these changes occur after the balance sheet date, but before the publication of the financial statements, the calculations per share for those as well as for any prior period financial statements shall be based on the new number of shares. When per share calculations reflect such

changes in the number of shares, that fact shall be disclosed. In addition, the basic and diluted net profit per share of all periods presented shall be adjusted for the effects of:
(a) material errors and adjustments resulting from changes in accounting policies;
(b) business combinations which represent uniting of equity interests.

The following shall be disclosed:
(a) the amounts used as numerators in calculating basic and diluted net profit per share, and a reconciliation of those amounts with the net profit or net loss for the accounting period;
(b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted net profit per share and the reconciliation of these denominators to each other.

21.20 An organisation opting for format I income statement shall explain, in the notes to the statement, the costs by functional groups, such as the cost of goods sold and production costs of goods sold, selling costs and general and administrative costs, all including relevant depreciation and amortisation expense. However, the organisation opting for format II income statement shall explain, in the notes, the costs by type, such as the cost of goods sold and cost of materials, costs of materials used, costs of services, wages and salaries (payroll costs), social security costs (with a separate presentation of pension insurance costs in the notes), depreciation and amortisation expense, revaluation operating expenses associated with intangible assets and property, plant and equipment and revaluation operating expenses associated with current operating assets.

21.21 Disclosures made in association with specific categories in the income statement shall comply with requirements explained in SASs 12 to 17.

21.22 Notes to interim balance sheets shall include:
(a) a statement that the accounting policies and methods used are the same as those used in the most recent annual financial statement and describe the nature and amount of changes, or, if those policies or methods have been changed, a description of the nature and amount of the change;
(b) an explanation of the seasonal nature and the related sales performance of interim operations;
(c) the nature and amount of changes in estimates of amounts reported in previous interim periods of the same financial year, or estimates of amounts reported in previous financial years, if such changes have a material effect on the interim period under review;
(d) significant events after the end of the interim period that have not been reflected in the interim income statements.

21.23 If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year, but a separate income statement is not published for such a final interim period, the nature and amount of that change in the estimate shall be disclosed in the notes to the annual income statement for that financial year.

21.24 The net profit or loss (profit or loss after tax) from discontinued operations shall be disclosed (in the notes) separately.

21.25 An organisation is required to disclose in the notes the reclassification changes relating to items of other comprehensive income and affect the profit or loss. Items of other comprehensive income shall be presented after the transfers to net profit or loss.

C Key Definitions

21.26 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Net sales represent the sales value of quantities sold reduced by discounts on sales or later (for example, cash discounts) and by the value of quantities returned.

(b) Change in inventories of goods and work in progress is the difference between their value at the end of the accounting period and their value at the beginning of the accounting period; if the value of inventories is higher at the end of the period, the change has a positive sign, otherwise a negative one.

(c) Other capitalised own products and services are self-constructed products or self-performed services which an organisation includes in its property, plant and equipment or intangible assets. They cannot (re)appear as part of inventories or costs or operating expenses, for instance in association with advertising. Since an organisation cannot disclose profit associated with capitalised own products or own services, they may be transferred, even beyond revenue and expenses, from cost accounts by cost centre to the relevant accounts of property, plant and equipment, intangible fixed assets, inventories or deferred and accrued items.

(d) Reclassification adjustments are the amounts of unrealised gains or losses that were recognised in other comprehensive income and transferred to profit or loss by the organisation based on the provisions of other SASs.

D Clarifications

21.27 In the format I income statement, the change in inventories of products and work in progress is the difference obtained by deducting the inventories at the beginning of the financial year from the inventories at the end of the same financial year.

21.28 The annual income statement shall be prepared after reconciling the items in the books of account with the results of the inventory of assets and liabilities, and under the assumption of compliance with the going concern principle. It does not take into account the legal provisions on the definition and measurement of individual items of revenue and expense as components of a relevant tax statement. Only the amount of income tax charged is taken into account in the annual income statement.

E Date of Adoption and Effective Date

21.29 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 25 – Formats of an Income Statement for External Business Reporting (2006).

Slovenian Accounting Standard 22 (2016)

FORMATS OF A CASH FLOW STATEMENT FOR EXTERNAL BUSINESS REPORTING

A Introduction

This Standard applies to the preparation of budget and financial statements of accounts showing the changes in cash for a specified period, and designed in a manner which is characteristic of the financial way of thinking; it may be applied for needs of both external and internal users. It deals with:

(a) the classification of cash flow statements for external business needs,
(b) the basic classification of items in cash flow statements for external business needs,
(c) the modified classification of items in cash flow statements for external business needs, and
(d) the disclosure of items in cash flow statements for external business needs.

As regards the valuation of items included in the cash flow statement, this Standard relates to the Slovenian Accounting Standards (SASs) 7, 20, and 21.

The Standard (Section B) shall be read in the context of key definitions (Section C), the clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Cash Flow Statements for External Business Reporting

22.1 A cash flow statement is a basic financial statement showing a true and fair view of changes in cash during a financial year or interim periods for which it is prepared.

22.2 A cash flow statement may be prepared using the direct method (format I in this Standard) or the indirect method (format II in this standard).

22.3 A cash flow statement shall report cash flows during the period generated by operating activities (subtotal A), investing activities (subtotal B) and by financing activities (subtotal C). The net cash flow or outflow during the period, and the opening and closing balance of cash in the period are shown in subtotal D.

22.4 A cash flow statement shall have a report format.

(b) Basic Classification of Items in a Cash Flow Statement for External Business Reporting

22.5 This Standard gives preference to the preparation of the cash flow statement by using the direct method (format I); however, an organisation is free to choose the one that best fits its possibilities of providing information.

22.6 A format I cash flow statement shall include, at a minimum, the following items:

A Cash flows from operating activities

(a) Cash receipts from operating activities
Cash receipts from the sale of products and services
Other cash receipts from operating activities

(b) Cash payments from operating activities
Cash payments to suppliers for materials and services
Cash payments to employees (wages and salaries) and shares in profit
Cash payments of taxes and contributions
Other cash payments from operating activities

(c) Net cash from operating activities (a + b)

B Cash flows from investing activities

(a) Cash receipts from investing activities
Interest and dividends received from investing activities
Cash receipts from disposal of intangible assets
Cash receipts from disposal of property, plant and equipment
Cash receipts from disposal of investment property
Cash receipts from disposal of investments

(b) Cash payments from investing activities
Cash payments to acquire intangible assets
Cash payments to acquire property, plant and equipment
Cash payments to acquire investment property
Cash payments to acquire investments

(c) Net cash from investing activities (a + b)

C Cash flows from financing activities

(a) Cash receipts from financing activities
Cash proceeds from paid-in capital
Cash proceeds from increase in financial liabilities

(b) Cash payments from financing activities
Interest paid on financing activities
Cash repayments of equity
Cash repayments of financial liabilities
Dividends and other profit shares paid

(c) Net cash from financing activities (a + b)

D Closing balance of cash

(x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)
+
(y) Opening balance of cash

All cash payments in the cash flow statement are presented as negative items.

22.7 Under the direct method (format I), information about items (cash receipts and cash payments) of the cash flow statement are obtained:

- from an organisation's books of account (regarding cash flows from operating, investing and financing activities);
- by supplementing items of operating revenue and operating expenses (excluding revaluation) and items of financial revenue from operating receivables and financial expenses from operating liabilities (excluding revaluation) in the income statement with the changes in net current operating assets, accruals and deferrals, provisions and deferred taxes during the period; and

- from an organisation's books of account (regarding cash flows from investing and financing activities).

22.8 Whenever an organisation applies the direct method (format I), it shall report on all types of cash flows by disclosing all major classes of gross cash receipts and gross cash payments.

22.9 A format II cash flow statement shall include, at a minimum, the following items:

A Cash flows from operating activities

(a) Items of income statement
Operating revenue (except from revaluation) and financial revenue from operating receivables
Operating expenses excluding depreciation or amortisation expense (except from revaluation) and financial expenses from operating liabilities
Income taxes and other taxes not included in operating expenses
(b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)
Opening less closing operating receivables
Opening less closing deferred costs and accrued revenue
Opening less closing deferred tax assets
Opening less closing assets (disposal groups) held for sale
Opening less closing inventories
Closing less opening operating liabilities
Closing less opening accrued costs and deferred revenue, and provisions
Closing less opening deferred tax liabilities

(c) Net cash from operating activities (a + b)

B Cash flows from investing activities

(a) Cash receipts from investing activities
Interest and dividends received from investing activities
Cash receipts from disposal of intangible assets
Cash receipts from disposal of property, plant and equipment
Cash receipts from disposal of investment property
Cash receipts from disposal of investments

(b) Cash payments from investing activities
Cash payments to acquire intangible assets
Cash payments to acquire property, plant and equipment
Cash payments to acquire investment property
Cash payments to acquire investments

(c) Net cash from investing activities (a + b)

C Cash flows from financing activities

(a) Cash receipts from financing activities
Cash proceeds from paid-in capital
Cash proceeds from increase in financial liabilities

(b) Cash payments from financing activities
Interest paid on financing activities
Cash repayments of equity

Cash repayments of financial liabilities
Dividends and other profit shares paid

(c) Net cash from financing activities (a + b)

D Closing balance of cash

(x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)

+

(y) Opening balance of cash

All cash payments in the cash flow statement are presented as negative items.

22.10 Under the direct method (format II), information about items (cash receipts and cash payments) of the cash flow statement are obtained:

(a) by supplementing items of operating revenue and operating expenses (excluding revaluation) as well as items of financial revenue from operating liabilities and financial expenses from operating liabilities (excluding revaluation) in the income statement with the changes in net current operating assets, accruals and deferrals, provisions and deferred taxes during the period; and

(b) from the organisation's books of account (regarding cash flows from investing and financing activities).

Data on cash flows from investing activities and cash flows from financing activities, as acquired by the indirect method, shall not differ from data on the relevant cash flows as acquired on the basis of the direct method.

22.11 In a cash flow statement prepared under the indirect method (format II), cash flows from operating activities shall be presented by showing the disclosed operating revenue and expenses, financial revenue from operating receivables and financial expenses from operating liabilities, including taxes from the income statement, as well as the changes in current operating assets, accruals and deferrals, provisions and deferred taxes from the balance sheet.

22.12 Since neither format I nor format II cash flow statement includes inflows and outflows that are not clearly associated with cash receipts and cash payments (disbursements), an organisation shall disclose in an appendix to the cash flow statement the following information:

– an increase in property, plant and equipment associated with a simultaneous increase in share capital through contributions in kind and not through cash payments, which represents investing and financing activities with no cash involved;

– an increase in unpaid subscribed capital associated with a simultaneous increase in share capital, which represents formal investing and financing activities with no cash involved; and

– other major changes in investing and financing activities without using cash.

22.13 For the sake of comparison, information in a cash flow statement shall be presented in two columns: the first column shows amounts realised in the current accounting period, while the second column contains information of the previous accounting period.

22.14 In a cash flow statement, irrespective of its format, cash flows from operating, investing and financing activities are normally not presented in offset amounts. Specific types of cash receipts and cash payments may be offset against each other if the amounts of individual classes of gross cash receipts and cash payments are not significant.

(c) Modified Classification of Items in a Cash Flow Statement for External Business Needs

22.15 Under a condensed format II of the cash flow statement, revenue of all types may be offset against expenses of any type excluding depreciation or amortisation; instead of these items, profit or loss before tax is included as a new line item in cash flows from operating activities. However, profit or loss before tax as well as income taxes shall be adjusted for depreciation and other non-monetary items, and the items whose monetary effects result in cash flows from investing and financing activities. In addition, changes during the period in net operating assets of the balance sheet items (including accruals and deferrals) shall be taken into account.

22.16 The condensed format II cash flow statement shall include, at a minimum, the following items of cash flows from operating activities:

A Cash flows from operating activities

(a) Net profit or loss
Profit or loss before tax
Income taxes and other taxes not included in operating expenses

***(b) Adjustments** for*
Depreciation and amortisation (+)
Revaluation operating revenue (–)
Revaluation operating expenses (+)
Financial revenue excluding financial revenue from operating receivables (–)
Financial expenses excluding financial expenses from operating liabilities (+)

(c) Changes in net operating assets in the operating balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)
Opening less closing operating receivables
Opening less closing deferred costs and accrued revenue
Opening less closing deferred tax assets
Opening less closing assets (disposal groups) held for sale
Opening less closing inventories
Closing less opening operating liabilities
Closing less opening accrued costs and deferred revenue, and provisions
Closing less opening deferred tax liabilities

(d) Net cash from operating activities (a + b + c)

Cash flow items from investing activities (subtotal B), cash flow items from financing activities (subtotal C) and the net cash (inflows or outflows) in total (subtotal D) are equal to those presented in format II cash flow statement under SAS 22.9.

22.17 The basic classification of items in a cash flow statement shall be adjusted to the size of the organisation and to interim reporting.

27.18 An interim cash flow statement is a condensed statement; nevertheless, it shall encompass, at a minimum, each of the headings and subtotals under SAS 22.6, 22.9 or 26.16 included in the most recent annual cash flow statement, as well as selected notes required by this Standard.

(d) Disclosure of Items in a Cash Flow Statement for External Business Needs

22.19 An organisation shall disclose whether the cash flow statement was prepared as format I or format II, as well as the sources of data and information presented in it.

22.20 An organisation shall disclose the components of cash and present the reconciliation between the amounts in its cash flow statement with the relevant items included in the balance sheet.

22.21 Cash flows from interest and dividends received or interest and dividends paid shall be classified and disclosed as cash flows from operating, investing and financing activities.

C Key Definitions

22.22 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) Receipts are monetary funds received during the accounting period; they may be cash or non-cash funds.

(b) Payments (disbursements) are monetary assets used during a period in association with specific matters; they may be cash or non-cash assets.

(c) Inflows are changes in assets during a period resulting from new financing or disinvesting activities; they apply to indirect determination of cash receipts.

(d) Outflows are changes in assets during a period resulting from definancing or investing activities; they apply to indirect determination of cash payments.

(e) Operating activities comprise the making of products and rendering of services as well as their selling through the elements of a business process.

(f) Investing activities are activities that result in the changing of monetary assets to non-monetary assets during an accounting period. In a narrow sense they do not comprise operating receivables, inventories and deferred costs, which are recognised in indirect determination of cash receipts from operating activities.

(g) Financing activities are activities that result in changes of assets during the accounting period resulting from the changes in the size of equity or liabilities. In a narrow sense they do not comprise changes in the size of equity resulting from net profit or loss for the accounting period, changes in the amount of operating liabilities and changes in the amount of accrued costs and deferred revenue and of provisions, which are recognised in the indirect determination of cash receipts from operating activities.

(h) Cash comprises cash on hand, deposit money in bank accounts, cash in transit and cash equivalents. Cash shall be understood in broader terms, also including cash equivalents. Cash is dealt with in detail under SAS 7.

(i) Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D Clarifications

22.23 The cash flow statement provides significant information for decision making in operating, financing and investing activities. On the basis of this information, it is possible to identify the reasons for increases or decreases in cash balances during the accounting period. Cash may increase as a result of operating activities, new financing activities (in a narrower sense) or disinvesting (in a narrower sense); on the other hand, cash may decrease as a result of operating activities, investing (in a narrow sense) or definancing (in a narrower sense).

22.24 Within a specific class of assets (i.e. intangible assets and property, plant and equipment), the cost of newly acquired items (cash payments) is considered an increase in assets, while the payments received for the value of disposed items (cash receipts) is considered a decrease in assets.

22.25 Within a specific class of liabilities, the obtained new loans and the like (cash receipts) are considered an increase in liabilities, while their repayment (cash payments) is a decrease in liabilities. An increase in liabilities due to the acquisition of assets without any cash involved shall not be considered a cash receipt (for example, a finance lease or an acquisition of assets on deferred payment).

22.26 Changes in equity shall be recognised separately from its increase or decrease. In this context, called-up capital, capital surplus, revenue reserves and retained earnings or retained net loss are considered to be items of equity, whereas an increase or a decrease in equity resulting from the net profit or net loss for the accounting period shall not be taken into account.

22.27 A change in revaluation surplus and fair value reserves shall not be presented in the cash flow statement since it is not related to cash receipts and cash payments (disbursements). Unrealised foreign exchange gains and losses are not associated with cash receipts and cash payments and shall not be included in cash flows. For the sake of reconciliation of cash at the beginning and at the end of the period, however, the influence of changes in exchange rates on the existing foreign currency cash shall be presented separately from the cash flows from operating, investing and financing activities. The opening balance of cash shall be adjusted for the impact of the changes in exchange rates on the existing cash.

22.28 In a cash flow statement, deduction items (i.e. items that result in a decrease in cash) shall be presented either in brackets or with a minus (–) sign; in either case, their nature shall be explained in the text.

E Date of Adoption and Effective Date

22.29 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 26 – Formats of a Cash Flow Statement for External Business Reporting (2006).

Slovenian Accounting Standard 23 (2016)

FORMATS OF A STATEMENT OF CHANGES IN EQUITY FOR EXTERNAL BUSINESS REPORTING

A Introduction

This Standard applies to the preparation of budget and financial statements of accounts showing the changes in all components of equity, including the distribution of net profit and the settlement of loss for the period considered; it applies to the needs of both external and internal users. It deals with:

(a) the classification of statements of changes in equity for external business reporting,
(b) the basic classification of items in a statement of changes in equity for external business reporting,
(c) the modified classification of items in a statement of changes in equity for external business reporting, and
(d) the disclosure of items in a statement of changes in equity for external business reporting.

As regards the valuation of items included in the statement of changes in equity and additional disclosures, the Standard relates to Slovenian Accounting Standards (SASs) 1–11 (specifically to SAS 8).

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Classification of Statements of Changes in Equity for External Business Reporting

23.1 A statement of changes in equity is a basic financial statement showing true and fair view of changes in the components of equity for the financial year or interim periods for which it is prepared.

23.2 A statement of changes in equity may be prepared to show the changes in all components of equity included in the balance sheet.

23.3 A statement of changes in equity may have the format of a schedule of changes in all components of equity.

(b) Basic Classification of Items in a Statement of Changes in Equity for External Business Reporting

23.4 The first dimension in the schedule (the columns) presents various types of equity in which changes occur in either one or more types of equity, including the opposite signs:

I Called-up capital
- 1 Share capital
- 2 Uncalled capital (as a deduction item)

II Capital surplus

III Revenue reserves
- 1 Legal reserves
- 2 Reserves for own shares and interests
- 3 Own shares and interests (as a deduction item)
- 4 Statutory reserves
- 5 Other revenue reserves

IV Revaluation surplus

V Fair value reserves

VI Retained earnings
1 Retained net profit
2 Retained net loss

VII Net profit or loss for the period
1 Net profit for the period
2 Net loss for the period

VIII Total

Economic categories shown either in brackets or with a minus (–) sign are deduction items. In the case of uncalled capital, the amount shown in brackets is a deduction item, which implies a decrease in called-up capital. Whenever uncalled capital is called up, the uncalled capital (as a deduction item) shall be reduced and the called-up capital shall be increased accordingly.

23.5 The second dimension in the schedule (the lines) shows potential phenomena that have resulted in the change of at least one of the mentioned economic categories. Such phenomena may include:

A 1 Balance at the end of the previous reporting period
(a) Retroactive restatements
(b) Retroactive readjustments

A 2 Opening balance for the reporting period

B 1 Changes in equity – transactions with owners
(a) Subscription of called-up share capital
(b) Subscription of uncalled share capital
(c) Call for subscribed share capital
(d) Additional paid-in capital
(e) Purchase of own shares or interests
(f) Disposal or cancellation of own shares and interests
(g) Repayment of equity
(h) Dividend pay-out
(i) Payment of remuneration to managing and supervisory bodies
(j) Other changes in equity

B 2 Total comprehensive income for the reporting period
(a) Entry of net profit or loss for the reporting period
(b) Change in revaluation surplus from revaluation of property, plant and equipment
(c) Change in reserves arising from measurement of investments at fair value
(d) Other components of comprehensive income for the reporting period

B 3 Changes within equity
(a) Allocation of the remaining part of net profit for a comparative reporting period to other components of equity
(b) Allocation of part of net profit for the reporting period to other components of equity based on a decision of the managing and supervisory bodies
(c) Allocation of part of net profit for the formation of additional reserves based on the resolution of the shareholders' meeting
(d) Settlement of loss as a deduction component of equity
(e) Formation of reserves for own shares and interests from other components of equity
(f) Reversal of reserves for own shares and interests, and allocation to other components of equity
(g) Other changes in equity

E Closing balance for the reporting period

The amounts shown either in brackets or with a minus (–) sign are deduction items. Each line item under B 3 Changes within equity simultaneously contains both additions and deductions of various components of equity which cancel each other out.

23.6 Theoretically possible items that are not relevant to a specific organisation shall not be presented on the face of the statement.

23.7 For comparative purposes, the statement of changes in equity shall show the amounts realised in the accounting period under review and the amounts realised in the same previous accounting period. Comparative data of the statement of changes in equity for the previous accounting period can be transferred to the notes.

(c) Modified Classification of Items in a Statement of Changes in Equity for External Business Reporting

23.8 Potential retroactive adjustments due to changes in accounting policies and retroactive restatements due to the correction of errors shall relate to the balance of retained earnings / loss for the financial year and are reflected in an adjustment to the opening balance of retained earnings / loss for the financial year.

23.9 A separate supplement to the statement of changes in equity is the presentation of the accumulated profit or accumulated loss as a legally defined decision category stipulated in the Companies Act:

(a) Net profit or loss for the financial year
(b) + Retained earnings / retained net loss (as a deduction item)
(c) + Decrease in capital surplus
(d) Decrease in revenue reserves
(e) Increase in revenue reserves based on a decision of the managing and supervisory bodies (legal reserves, reserves for own shares and interests, and statutory reserves)
(f) Increase in revenue reserves based on a decision of the managing and supervisory bodies (other revenue reserves)
(g) Amount of long-term deferred development costs at the balance sheet date
(h) = Accumulated profit (a + b + c – d – e - f) distributed by the shareholders' meeting for dividends to shareholders, allocated to other reserves, carried forward to the following period, and appropriated for other purposes
or
= Accumulated loss (a + b + c + d – e – f).

The organisation may present, instead in the statement of changes in equity, the classification of line items B.2 Total comprehensive income for the reporting period from (a) to (d), and B.3 Changes within equity from (a) to (g) in the notes, and present only B 2 Total comprehensive income for the reporting period and B 2 Changes within in equity in the statement of changes in equity.

(d) Disclosure of Items in a Statement of Changes in Equity for External Business Reporting

23.10 An organisation shall explain the reasons underlying each and every change in any individual economic category and the link between changes to equity (lines from B 1, B 2, and B 3 in SAS 23.5) and the changes in economic categories included in the balance sheet and in the income statement or in the statement of comprehensive income.

23.11 Any potential retroactive adjustments due to changes in accounting policies and retroactive restatements made for the correction of errors from prior periods that refer to the balance of retained earnings require disclosures concerning both the relevant prior periods and the opening balance of the current accounting period.

23.12 Changes in reserves and in the revaluation surplus shall be dealt with by type of change.

An organisation shall disclose the distribution of the net profit and the settlement of the net loss for the period in its annual statement of changes in equity after the organisation's financial statements for the previous accounting (reporting) period have been approved by the competent body. The dividends associated with the reporting period for which the statement of changes in equity has been prepared, as well as other decisions adopted by the shareholders' meeting of the joint stock company shall be presented in the subsequent reporting period.

C Key Definitions

23.13 This Standard uses terms which need to be explained in order to define the key concepts.

(a) Revaluation surplus is a revaluation of equity due to increases in the value of property, plant and equipment.

(b) Fair value reserves relate to unrealised gains or losses associated with revaluation of available-for-sale investments, to fair value, actuarial gains or losses associated with retirement benefits and amounts of the proven gain or proven loss due to a change in fair value of available-for-sale financial assets that is not part of a hedging relationship.

(c) Total comprehensive income for the reporting period encompasses net profit or loss for the reporting period and other comprehensive income that encompasses items of (unrealised) profit and loss that are not recognised in profit or loss.

D Clarifications

23.14 In SAS 23.4, the component under I 1 Share capital usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: increase resulting from the subscription of called-up share capital (simultaneously with an increase in monetary or physical assets and/or receivables), and increase resulting from the subscription of uncalled capital (simultaneously with an increase in uncalled capital as a deduction item) and a decrease resulting from the withdrawal of share capital (simultaneously with a decrease in monetary or physical assets or receivables); line B 3: increase resulting from the merger of other components of equity, i.e. of capital surplus, legal reserves, statutory reserves, other revenue reserves, fair value reserves, revaluation surplus or net profit carried forward to the newly defined share capital (simultaneously with a decrease in those other components of equity), but also a decrease due to the settlement of the retained loss or loss for the period by reducing share capital, or a decrease resulting from the transfer to capital surplus (simultaneously with an increase in that surplus); line C: closing balance.

23.15 In SAS 23.4, the component under I 2 Uncalled capital (as a deduction item) usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: increase resulting from the subscription of uncalled share capital (simultaneously with an increase in the share capital), decrease resulting from the call for the subscribed share capital (simultaneously with receivables due from the subscriber to shares); and line C: closing balance as an item to be deducted from share capital.

23.16 In SAS 23.4, the component under II Capital surplus usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2 opening balance for the reporting period; line B 1: increase resulting from the surplus of payments above the nominal value of shares or interests in equity, increase resulting from the amounts acquired by the company on the issue of convertible bonds or bonds issued with the call option of shares above the nominal value of such bonds, and increase resulting from amounts additionally paid-in by shareholders to acquire additional rights from shares (simultaneously with an increase in assets) and a decrease resulting from the withdrawal of share capital (simultaneously with a decrease in monetary or physical assets or receivables); line B 3: decrease resulting from the settlement of the net losses for the period or loss brought forward from previous years (simultaneously with a decrease in that loss), a decrease resulting from the transfer to share capital (simultaneously with an increase in the share capital), increase resulting from reversal of reserves for own shares and interests (simultaneously with a decrease in reserves for own shares and interests which have been created by transfer from capital surplus), and increase based on a decrease in share capital; line C: closing balance.

23.17 In SAS 23.4, the component under III 1 Legal reserves usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments, line A 2: opening balance for the reporting period; line B 3: increase resulting from the allocation of the net profit for the reporting period or of the retained earnings (simultaneously with a decrease in the net profit as a components of equity), increase resulting from other reserves, and a decrease resulting from the settlement of net loss for the reporting period or of retained loss (simultaneously with a decrease in that loss as a deduction component of equity), decrease resulting from the increase in share capital; and line C: closing balance.

23.18 In SAS 23.4, the component under III 2 Reserves for own shares and interests usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments, Line A 2: opening balance for the reporting period; line B 3: increase resulting from the allocation of the net profit for the reporting period or retained earnings (simultaneously with a decrease in the net profit as a components of equity), increase resulting from the transfer from the statutory reserves or other revenue reserves (simultaneously with a decrease in those reserves), and decrease resulting from their repayment to other components of equity from which the reserves have been formed when the need to cover the value of purchased own shares and interests no longer exists (simultaneously with an increase in those components); line C: closing balance.

23.19 In SAS 23.4, the component under III 3 Own shares and interests (as a deduction item) usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: increase (as a deduction item) resulting from the acquisition of own shares and interests and decrease resulting from disposal or cancellation of own shares and interests; and line C: closing balance (as a deduction item).

23.20 In SAS 23.4, the component under III 4 Statutory reserves usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1 decrease resulting from the utilisation of statutory reserves (simultaneously with a decrease in assets); line B 3: increase resulting from the allocation of net profit for the reporting period or retained earnings (simultaneously with a decrease in the net profit as a component of equity), decrease resulting from potential transfers to other components of equity, such as share capital or reserves for own shares and interests (simultaneously with an increase in those components), increase resulting from the reversal of transfers to other components of equity, such as reserves for own shares and interests (simultaneously with a decrease in those components), and decrease resulting from the settlement of loss (simultaneously with a decrease in loss as a deduction component of equity); line C: closing balance.

23.21 In SAS 23.4, the component under III 5 Other revenue reserves usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2; opening balance for the reporting period; line B 1: decrease resulting from the utilisation of other revenue reserves (simultaneously with a decrease in assets); line B 3: increase resulting from the allocation of the net profit (simultaneously with a decrease in the net profit as a component of equity), decrease resulting from potential transfers to other components of equity, such as share capital or reserves for own shares and interests (simultaneously with an increase in those components), increase resulting from the reversal of transfers to other components of equity, such as reserves for own shares and interests (simultaneously with a decrease in those components), and decrease resulting from the settlement of loss (simultaneously with a decrease in loss as a deduction component of equity); line C: closing balance.

23.22 In SAS 23.4, the component under IV Revaluation surplus usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 2: increase resulting from the measurement of assets where their differences do not yet affect the profit or loss for the reporting period, the higher fair value (simultaneously with an increase in assets), increase resulting from the reversal of value adjustments of revaluation surplus for deferred tax, decrease resulting from the measurement of assets at lower fair value, decrease resulting from impairment of assets, in respect of which this component of equity initially arises (simultaneously with a decrease in assets), decrease resulting from the formation of a valuation adjustment of revaluation surplus for deferred tax, and a decrease resulting from a transfer to operating revenue or finance revenue as it has to be included in the formation of net profit or loss for the reporting period, and line C: closing balance.

23.23 In SAS 23.4, the component under V Fair value reserves usually comprises the following items from SRS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B2: increase resulting from the measurement of assets, where their differences do not yet affect the net profit or loss for the reporting period, the higher fair value (simultaneously with an increase in assets), increase resulting from the reversal of value adjustment of reserves, resulting from revaluation to fair value for deferred tax, decrease resulting from the measurement of assets at a lower fair value, decrease resulting from impairment of assets, in respect of which this component of equity initially arises (simultaneously with a decrease in assets), decrease resulting from formation of value adjustment of reserves, arising from the revaluation to fair value for deferred tax, and a decrease resulting from a transfer to financial revenue as it has to be included in the formation of net profit or loss for the reporting period (simultaneously with an increase in financial revenue), line C: closing balance.

23.24 In SAS 23.4, the component under VI 1 Retained earnings usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 1: decrease resulting from the payment of dividends (simultaneously with a decrease in assets or an increase in liabilities to shareholders); line B 3: decrease resulting from the withdrawal of equity (simultaneously with an increase in capital surplus), decrease resulting from the reallocation to revenue reserves (simultaneously with an increase in those reserves), decrease resulting from the settlement of loss from previous years (simultaneously with a decrease in loss as a deduction component of equity), increase resulting from the reallocation of the net profit for the reporting period (simultaneously with a decrease in the net profit for the financial year), or decrease resulting from the transfer to share capital (simultaneously with an increase in share capital); line C: closing balance.

23.25 In SAS 23.4, the component under VI 2 Retained net loss usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 3: increase resulting from the transfer of net loss for the reporting period to retained net loss, decrease resulting from reallocation of net profit for the reporting period (simultaneously with a decrease in its remaining balance among components of equity) and decrease resulting from settlement of loss by means of retained earnings, other revenue reserves, statutory reserves, capital surplus and legal reserves (simultaneously with a decrease in those components of equity); and line C: closing balance.

23.26 In SAS 23.4, the component under VII 1 Net profit for the period usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 2: entry of the net profit from the income statement for the reporting period (simultaneously with a transfer from that statement); line B 3: decrease resulting from the settlement of retained loss (simultaneously with a decrease in its remaining balance as a deduction component of equity), decrease resulting from allocation to other components of equity (simultaneously with an increase in those components), and decrease resulting from subsequent inclusion in retained earnings (simultaneously with its increase); line C: closing balance.

23.27 In SAS 23.4, the component under VII 2 Net loss for the period usually comprises the following items from SAS 23.5: line A 1: balance at the end of the previous reporting period, retroactive restatements and retroactive adjustments; line A 2: opening balance for the reporting period; line B 2: entry of the net loss for the reporting period; line B3: decrease resulting from settlement of loss by means of retained earnings, other revenue reserves, statutory reserves, capital surplus and legal reserves (simultaneously with a decrease in those components of equity), and decrease resulting from subsequent inclusion in retained loss (simultaneously with its increase); and line C: closing balance.

23.28 The presentation of accumulated profit or accumulated loss as required by the Companies Act is the basis for decision-making by the supervisory board or by the shareholders' meeting, leading to the final changes presented in the statement of changes in equity. It allows the shareholders' meeting to distribute less than the net profit for the period if reserves need to be increased and/ or the organisation has long-term deferred development costs at the balance sheet date, and no other increases are available, or to distribute more than the net profit for the period, if retained earnings and/or reserves are also used for this purpose. The accumulated loss may be lower than the loss for the period if it can be settled by means of net profit from previous years or by reducing reserves; it may even be higher than the loss for the period if the retained loss has to be added and no other reduction are possible and long-term deferred development costs. When deciding how to determine and to distribute the accumulated profit and the accumulated loss, an organisation shall consider the possibilities and consequences from a financial point of view.

E Date of Adoption and Effective Date

23.29 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations whose financial year is identical

with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other organisations shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 27 – Formats of a Statement of Changes in Equity for External Business Reporting (2016).

Slovenian Accounting Standard 30 (2016)

ACCOUNTING SOLUTIONS IN SOLE PROPRIETORSHIPS – INDIVIDUALS

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards, the SAS Framework and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Sole proprietors – individuals apply those standards directly in recognising, derecognising, measuring and valuation of assets and equity and liabilities, measuring and presenting revenue, expenses, profit or loss, cash flows and movement of equity.

In addition to the provisions of those Standards, sole proprietors (individuals) shall also comply with the provisions of this Standard.

Single-entry bookkeeping is permitted for sole proprietors under certain conditions. It is set out in Appendix I to this Standard.

Sole proprietors whose enterprise meets the criteria for a micro company may also prepare financial statements for external business reporting in a condensed format, which is presented in Appendix II to this Standard.

B The Standard

30.1 The annual report of a small proprietorship comprises the balance sheet and the income statement.

The annual report of a medium-sized and large sole proprietorship shall comprise the balance sheet, the income statement, the notes, and disclosures.

The annual report shall be prepared by the sole proprietor on the basis of the information in the books of account and an inventory of assets and liabilities.

30.2 The breakdown of a sole proprietor's balance sheet shall depend on its size in accordance with SAS 20 – Formats of a Balance Sheet for External Business Reporting. In the case of equity and liabilities, the sole proprietor shall show the following items instead of item A Equity:

A Sole proprietor's equity

I Sole proprietor's initial capital
II Transfers of physical assets in the course of business
III Cash inflows and outflows
IV Revaluation surplus
V Fair value reserves
VI Sole proprietor’s revenue or loss

30.3 Items in the balance sheet of a medium-sized and large sole proprietor for external business reporting shall be disclosed in accordance with SAS 20 - Formats of Balance Sheets for External Business Reporting.

30.4 A sole proprietor shall prepare an income statement as set out in SAS 21 Formats of an Income Statement for External Reporting in paragraph SAS 21.6 (format I), except that:

(a) number 17 Income tax and number 18 Deferred taxes shall not apply;

(b) number 19 Net profit or loss for the period shall be defined as the sole proprietor's revenue or negative net profit or loss.

Profit or loss as the difference between revenue and expenses is the sole proprietor's revenue or loss if expenses are higher than the revenue.

30.5 Items in the income statement of a medium-sized and large sole proprietorship shall be disclosed in accordance with SAS 21 – Formats of an Income Statement.

30.6 A medium-sized or large sole proprietorship may also prepare a cash flow statement in accordance with SAS 22 - Formats of a Cash Flow Statement for External Business Reporting.

30.7 A medium-sized or large sole proprietorship may also prepare a statement of changes in equity in accordance with SAS 23 - Formats of a Statement of Changes in Equity for External Business Reporting.

30.8 A sole proprietor shall adopt accounting policies by resolutions. The resolutions shall be retained for 10 years after the cessation of the activity. Each resolution shall be marked by a running number in chronological order. Accounting policies already adopted may be changed only by new resolutions.

30.9 The books of account and reports shall be accessible at the registered office of the sole proprietor. If the books of account of the sole proprietor are kept by another legal or natural person who has a registered activity in accordance with the classification of economic activities, the books of account may be kept by that person.

C Key Definitions

30.10 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) **A sole proprietor** is a natural person who performs a self-employed gainful activity in the market within the framework of an organised company under the Companies Act and whose enterprise meets the criteria for a micro, small, medium or large enterprise, except for a sole proprietor who determines the tax base of revenue from the activity by considering flat-rate expenses.

(b) S**ole proprietor's equity** is the sole proprietor's own source of financing. It consists of transfers of physical assets, revaluation surplus, fair value reserves and the sole proprietor's revenue or loss. It may also change on a daily basis with each cash inflow from the household and each cash outflow to the household.

(c) The sole proprietor also presents the **physical assets transferred from the household** as assets.

D Clarifications

30.11 The economic categories are explained in the SASs of the individual economic categories (Standards I) and the reporting standards (Standards II), unless otherwise defined in this Standard. A sole proprietor does not calculate and present deferred tax assets and deferred tax liabilities.

30.12 A sole proprietor shall transfer the physical assets from the household to their assets by the date of notification, but may do so also at a later date. However, fixed assets acquired free of charge from other persons cannot be treated as transfers of physical assets from household after the date of notification.

The value of a tangible fixed asset acquired by means of a transfer of physical assets from the household shall be the value derived from the original deed or valuation report and shall not exceed the fair value of the asset.

The determination of the cost of property, plant and equipment and intangible assets acquired by other means is set out in SAS 1 and SAS 2.

30.13 A sole proprietor is free to use cash. It shall disclose the information about flows between its enterprise and its household within the prescribed group of sole proprietor’s equity. If there are no appropriate accounting records to post the flows to and from the household, they shall prepare such records themselves.

30.14 Current operating liabilities also include current liabilities to employees (other than the sole proprietor), liabilities to pay an advance income tax arising from the activity based on the tax return, and liabilities for the sole proprietor's social security contributions.

30.15 The profit or loss of a sole proprietor as the difference between revenue and expenses is the sole proprietor's revenue or negative net loss and it differs from the profit or loss of companies by the sole proprietor's unaccrued labour costs of the sole proprietor.

The sole proprietor does not have an employment relationship and is therefore not subject to collective bargaining agreements defining rights and obligations under the employment relationship. Only those costs defined in the regulations shall be recognised in relation to the performance of their work, in the books of account as costs incurred by the sole proprietor.

30.16 A sole proprietor shall prepare book-keeping documents also to record expenses (electricity, heating, paint work, etc.) separately for the enterprise and separately for the household if they do not present their assets in the books of accounts but use them for both business and private purposes. The internal book-keeping document is a written statement (of account) of costs relating to the use of the asset under review (the relevant part of the costs), showing how each type of cost is accounted for.

E Date of Adoption and Effective Date

30.17 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 16 November 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Sole proprietors shall apply this Standard for periods beginning 1 January 2016.

From the date on which this Standard comes into effect, sole proprietors shall cease to apply SAS 39 – Accounting Solutions in Small Proprietorships (2006).

The Appendix on single-entry bookkeeping is an integral part of this Standard.

Single-Entry Bookkeeping

Appendix I

A sole proprietor may keep books of account using the principles of single-entry bookkeeping if the criteria of the Companies Act are met. In doing so, it shall comply with SAS 30, except for the solutions relating to books of account in single-entry bookkeeping.

1 Basic principles of single-entry bookkeeping

1.1 Notwithstanding SAS 4, a sole proprietor may determine the cost of materials by the indirect method of determining the consumption by inventory.

The cost of materials used is determined by deducting the value of inventories at the end of the accounting period from the value of inventories at the beginning of the accounting period, increased by the value of purchases during the accounting period.

During an accounting period, the sole proprietor shall post the cost of purchased quantities of materials in the appropriate column of revenue and expenses in the books of account. At the end of the accounting period, it shall reconcile the amount presented in the book of revenue and expenses with the change in inventories determined by taking an inventory of the quantities and valuing them at their latest cost.

1.2 Depreciation and amortisation expense may be presented directly in the income statement.

1.3 Profit or loss shall be determined only mathematically, using the prescribed scheme of an income statement.

1.4 The sole proprietor's equity shall be determined only mathematically, as the difference between the balance of inventoried assets and liabilities.

2 Books of accounts and the annual report

2.1 The books of account kept on the basis of the principles of single-entry bookkeeping are the book of revenue and expenses, inclusive of or separately kept records of receivables due from customers and liabilities to suppliers, the books of other receivables, the book of other liabilities and the register of property, plant and equipment.

2.2 The book of revenue and expenses shall have columns, at least by type of revenue and expenses, which, together with the other records and the inventory of assets and liabilities, enables the preparation of an income statement. Receivables due from customers and liabilities to suppliers may also be recorded in the same book.

2.3 The books of other receivables and other liabilities shall separately record the individual types of receivables and liabilities which do not result in revenue and expenses. These books need not be kept if the records of receivables and liabilities also provide information on other receivables and liabilities. At the beginning of an accounting period, the opening balances of receivables and liabilities shall be transferred from relevant inventory sheets to the book of other receivables and other liabilities.

2.4 The register of property, plant and equipment shall be kept either in the form of a pre-bound book or by computer. Each item of property, plant and equipment shall have its own registration number.

2.5 The annual report of a sole proprietor who keeps books of account on the basis of a single-entry bookkeeping shall comprise a balance sheet and an income statement.

The Appendix on the preparation of financial statements for a sole proprietor whose enterprise complies with the criteria for a micro enterprise is an integral part of this Standard.

Financial Statements of a Sole Proprietor whose Enterprise Complies with the Criteria for a Micro Enterprise

Appendix II

A sole proprietor whose enterprise meets the criteria for a micro-company may also prepare financial statements for external business reporting in a condensed form, which shall include at least the items as defined in this Appendix. The annual financial report of a sole proprietor whose enterprise meets the criteria for a micro enterprise shall comprise a balance sheet and an income statement.

1.1 The balance sheet for external business reporting shall contain at least the following items:

Assets

A Long-term assets

I Intangible assets and long-term deferred costs and accrued revenue
  1 Intangible assets
  2 Long-term deferred costs and accrued revenue
II Property, plant and equipment
III Investment property
IV Long-term investments
  1 Long-term investments, except loans
  2 Long-term loans
V Long-term operating receivables

B Current assets

I Assets (disposal groups) held for sale
II Inventories
III Short-term investments
  1 Short-term investments, except loans
  2 Short-term loans
IV Short-term operating receivables
V Cash

C Deferred costs and accrued revenue

Equity and liabilities

A Sole proprietor's equity

B Provisions and accrued costs and deferred revenue

  1 Provisions
  2 Long-term accrued liabilities

C Long-term liabilities

I Long-term financial liabilities
II Long-term operating liabilities

D Current liabilities

I Liabilities included in disposal groups
II Short-term financial liabilities
III Short-term operating liabilities

E Accrued costs and deferred revenue

If the equity and liabilities, exclusive of the sole proprietor's equity, exceed the value of the sole proprietor's assets, the sole proprietor's capital is negative.

1.2 The income statement for external business reporting shall include at least the following items:
1 Net sales
2 Change in inventories of products and work in progress
3 Capitalised own products and own services
4 Other operating revenue (including revaluation operating revenue)
5 Costs of goods, materials and services
  (a) Cost of goods and materials sold and costs of materials used
  (b) Costs of services
6 Labour costs
  (a) Payroll costs
  (b) Social security costs (with a separate presentation of pension insurance costs)
  (c) Other labour costs
7 Write-downs in value
  (a) Depreciation and amortisation expense
  (b) Revaluation operating expenses associated with intangible assets and property, plant and equipment
  (c) Revaluation operating expenses associated with current operating assets
8 Other operating expenses
9 Financial revenue from shares
10 Financial revenue from loans
11 Financial revenue from operating receivables
12 Financial expenses due to impairment and write-offs of investments
13 Financial expenses for financial liabilities
14 Financial expenses for operating liabilities
15 Other revenue
16 Other expenses
17 Sole proprietor’s revenue or loss
(1 ± 2 + 3 + 4 − 5 − 6 − 7 − 8 + 9 + 10 + 11 − 12 − 13 − 14 + 15 − 16)

Slovenian Accounting Standard 31 (2016)

ACCOUNTING SOLUTIONS IN COOPERATIVES

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards, the SAS Framework and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Cooperatives apply those standards directly in recognising, derecognising, measuring and valuation of assets and equity and liabilities, measuring and presenting revenue, expenses, profit or loss, cash flows and movement of equity.

In addition to the provisions of those Standards, cooperatives shall also comply with the provisions of this Standard. This Standard specifically addresses non-distributable cooperative property, the determination of a cooperative's profit or loss and the replacement / covering of an unsettled loss from prior years.

For the purposes of this Standard, cooperatives are organisations that are entered as cooperatives, cooperative associations or European cooperatives (SCEs) in the business register.

B The Standard

31.1 The statement of financial position for cooperatives shall be prepared in the form of a balance sheet that is broken down according to the size of the cooperative (small, medium-sized, large) in accordance with SAS 20 – Formats of a Balance Sheet for External Business Reporting, except that, cooperatives present the following items under Item A Equity, I Called-up capital:

A Equity

I Co-operative's equity
  1 Non-distributable capital
  2 Shares held by cooperative members
    (a) Mandatory shares of cooperative members
    (b) Voluntary shares of cooperative members

31.2 Items in the balance sheet of a cooperative prepared for external reporting shall be disclosed in accordance with SAS 20 - Formats of a Balance Sheet for External Business Reporting.

31.3 In addition to other off-balance-sheet items, a cooperative shall also disclose the guarantees assumed by its members under the rules of the cooperative.

31.4 A cooperative shall prepare an income statement as set out in SAS 21 – Formats of an Income Statement for External Business Reporting in SAS 21.6 (format I).

31.5 Items in the income statement of a cooperative for external business purposes shall be disclosed in accordance with SAS 21 Formats of an Income Statement for External Business Reporting.

31.6 In an appendix to the income statement, a cooperative shall present how the net profit for the financial year, together with the undistributed retained earnings, is distributed and how the net loss for the financial year, together with the unsettled retained loss, is covered.
31.7 A medium-sized or large cooperative in accordance with the criteria of the Companies Act shall also prepare a cash flow statement in accordance with SAS 22 - Formats of a Cash Flow Statements for External Business Reporting and take into account the breakdown of equity in SAS 31.1.

31.8 A medium-sized or large cooperative in accordance the criteria of the Companies Act shall also prepare a statement of changes in equity in accordance with SAS 23 – Formats of a Statement of Changes in Equity for External Business Reporting.

C Key Definitions

31.9 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) **Non-distributable cooperative's equity** is the permanent business fund of a cooperative that was formed as indivisible net assets in cooperatives until their organisation was harmonised with the Cooperatives Act (Official Gazette of the SFRY, No. 3/1990) or the Cooperatives Act (Official Gazette of the RS, No. 13/1992), net assets acquired by a cooperative on the basis of the provisions of the Cooperatives Act on the Participation of Cooperatives in the Ownership Transformation of Certain Undertakings (Cooperatives Act, Articles 57 to 64) or on the return of former cooperative property (Cooperatives Act, Articles 65 to 68), and net assets acquired by a cooperative on the basis of the Act on the splitting of the property of former forest managing organisations (Article 83, Point (b)) of the Forests Act. It is the indivisible net assets of the cooperative, to which the rules on property rights apply mutatis mutandis. It is intended exclusively to finance the joint operations of the cooperative and its members. The assets of that fund may not be distributed either in the event of the cooperative's liquidation or bankruptcy or in the event of the cooperative's dissolution. This applies also to pure cooperative assets acquired under the provisions on the return of former cooperative assets in the course of the ownership transformation of undertakings.

(b) **The shares of the cooperative members** shall form part of its capital, the amount of which shall be determined by the members in the cooperative rules in accordance with the Cooperatives Act or Regulation 1435/2003/EC. The subscribed capital of an SCE may not be less than the amount laid down in the rules of the SCE, but shall not be less than EUR 30 000. In a cooperative established under the Cooperatives Act, the cooperative rules permitting the transfer of shares may provide for a minimum amount below which the capital of the cooperative, consisting of the members' shares, may not be reduced for the purpose of making payments to the members or their legal successors. In other cooperatives established under the Cooperatives Act, the capital may change without fixing a minimum amount below which it may not be reduced.

(c) **Voluntary funds** are funds formed by the cooperative by virtue of the cooperative rules (statutory reserves) or by a resolution of the general assembly (other revenue reserves). Such funds are the reserve fund, the education fund, the development fund, the fund for social benefits and similar funds. In the balance sheet, they are shown as part of the revenue reserves.

D Clarifications

31.10 For purposes of financial reporting, cooperatives shall be classified as micro, small, medium-sized and large cooperatives using the same criteria and in the same way as companies.

31.11 The equity of a cooperative shall consist of the undistributable cooperative capital, the shares of the cooperative members, legal, statutory and other revenue reserves, retained earnings and retained loss, revaluation surplus, fair value reserves, undistributed net profits or unsettled net loss for the financial year and other funds, if any, established in accordance with the rules of the cooperative.

31.12 The cooperative shall form reserves for the distribution of net profit in accordance with the cooperative rules and at least in the amount prescribed by the Cooperative Act or Regulation 1435/2003/EC.

31.13 A cooperative may allocate the remaining part of the annual surplus of net profits after the formation of the mandatory reserves to its funds and to the shares of its members in proportion to their business with it. The more detailed criteria for the participation of members in the remaining part of the net profit shall be determined by the cooperative based on cooperative rules.

31.14 The cooperative shall settle the loss out of mandatory reserves or out of undistributed retained earnings. If the mandatory reserves and any undistributed retained earnings are insufficient to cover the retained loss, it shall be settled from the cooperative’s other voluntary funds. If the loss is still not yet settled, it shall be settled out of the cooperative's non-distributable capital and out of the mandatory and voluntary shares of the cooperative members, in proportion to the size of the cooperative's non-distributable capital and the members' shares.

31.15 If, as a result of a cooperative’s write-down or loss in value of shares and funds is reduced by more than half, the general meeting of the cooperative shall decide that the shares have to be paid up to the full written-down value or propose that the bankruptcy proceedings commence for the cooperative.

E Date of Adoption and Effective Date

31.16 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Cooperatives whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other cooperatives shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, cooperatives shall cease to apply SAS 34 – Accounting Solutions in Cooperatives (2008).

Slovenian Accounting Standard 32 (2016)

ACCOUNTING SOLUTIONS IN PUBLIC SERVICE ENTERPRISES

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards and the SAS Framework and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Public service enterprises apply those standards directly in recognising, derecognising, measuring and valuation of assets and liabilities and measuring and reporting income, expenses, profit or loss, cash flows and changes in equity.

In addition to the provisions of those Standards, public service enterprises shall also comply with the provisions of this Standard. The provisions of this Standard are mandatory for all public service enterprises. The provisions shall apply unless otherwise provided by law.

This Standard is based on the regulations governing the area of public service enterprises.

The provisions of this Standard are intended for financial reporting for business purposes. The forms of reporting for tax, statistical and regulatory purposes are governed by specific regulations.

In this Standard, public service enterprises are understood to be all legal entities which, in accordance with the regulations, provide public services, irrespective of their organisational form and whether these services constitute the whole or only part of their activity.

An individual public service enterprise in this Standard refers to each individual right granted to perform a public service in a specific area. Where municipalities grant a joint concession or provide by ordinance that the performance of a particular public service is to be monitored jointly for those municipalities within a joint public organisation, the provisions of SAS 32 on an individual public service refer to all the rights granted by those municipalities to perform that particular public service as a single right. The condition of the provision of this public service for these municipalities shall be fulfilled on equal terms for all users or customers. The condition is deemed to be met where the services of public services enterprises are charged at a uniform price to the users of those municipalities.

The provisions of this Standard concerning the separate monitoring of revenue and expenses and the preparation of an income statement for a particular public service enterprise also apply mutatis mutandis to any other special or exclusive rights granted by a public authority to a public service enterprise.

B The Standard

(a) Specific features of allocation of revenue and expenses

32.1 A public service enterprise shall establish for each public service a profit (responsibility) centre for which the revenue and the costs incurred and attributed to it shall be determined.

32.2 The public service enterprise shall determine appropriate cost centres for public services to which the costs are allocated on the basis of calculations.

32.3 When allocating indirect costs, the public service enterprise shall apply the criteria based on the activities that give rise to those costs. If it is not possible to identify these activities, the criteria for the allocation of indirect costs based on the proportion of direct costs shall be applied.

32.4 Contributions, fees and other public charges are costs of the public service enterprise if the latter is liable for payment of these charges as a party performing the activity. If the users of services offered by a public service enterprise are identified as the persons liable for the payment of these charges and the recipient of the charges is a public body, the public service enterprise shall not present the payment of such charges to the public body under costs and the assets received are not presented under revenue.

32.5 If, in the context of the price regulation of the public service, an offset of overcharged revenue of the previous accounting year is made in a lump sum before the end of, or in the first quarter after the end of, the accounting period, the amount of the offset made shall be recorded as a reduction in revenue of the previous accounting period. If the offset is made by way of a price adjustment after the end of the accounting period, revenue shall be recognised in the amounts charged for an individual accounting period.

(b) Specific features of revenue determination

32.6 The operating revenue of a public service enterprise is all amounts from the sale of products or services, regardless of the payer. Contributions, fees and/or other payments collected by the public service enterprise on behalf of the state or the local community on the basis of the law are not the revenue of the public service enterprise.

32.7 The public service enterprise shall also include, among the operating revenue, the contributions of individuals, local communities and other persons for the maintenance of facilities and devices and for the provision of public services, unless the contributions are specifically provided for by law or by a local community ordinance to be earmarked. Earmarked contributions are funds which have the nature of a public charge established by law or other regulation and are not payments for products supplied, services rendered or compensation for the use of a public service. Such funds are collected from customers by law or regulation or contributed by the state or a local authority on the same basis. They are characterised by both earmarked collection and earmarked consumption, both of which are determined by law or regulation in advance – before the collection of these funds.

Earmarked contributions which are not included in the price of a product or service are classified as revenue by the public service enterprise when the costs or expenses for which they were collected are incurred.

(c) Specific features of revaluation

32.8 The public service enterprise shall apply the cost model to measure property, plant and equipment after their recognition.

(d) The nature and content of specific schedules and notes to the financial statements

32.9 The annual report of the public service enterprise shall contain, in addition to the schedules prescribed by the Companies Act and other regulations or laid down by the SASs, other schedules and notes to the financial statements:

- the income statement of the public service enterprise, divided into income statements for separate public services and for other activities;

- presentation of the criteria according to which revenue and expenses are allocated to separate public services and the other activities;

- the method of allocating revenue and expenses to the various profit (responsibility) centres and cost units;

- the sub-balances of assets and liabilities for separate public services and other activities, if required by regulation or if the public service enterprise considers that these sub-balances are relevant for business decision-making;

- presentation of the criteria according to which assets and liabilities are allocated to individual public services and other activities, if required by regulation or if the public service enterprise considers that these sub-balances are relevant for business decision-making;

- presentation of profit or loss of each public service which the public service enterprise may or will be required to offset in future periods;

- the ownership shares of the state, local authorities and others in the share capital;

- presentation of the amount and share of deposits with banks in the framework of loans;

- investments in and receivables due from the state or local authorities, by type;

- the value of fixed assets of the public infrastructure leased by the public service enterprise (in off-balance-sheet records).

C Date of Adoption and Effective Date

32.10 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Public service enterprises whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other public service enterprises shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, public service enterprises shall cease to apply SAS 35 – Accounting Monitoring of Public Utility Services (2006) and the Interpretation to SAS 35 (2006).

Slovenian Accounting Standard 33 (2016)

ACCOUNTING SOLUTIONS IN SOCIETIES AND DISABLED PERSONS ORGANISATIONS

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards and the SAS Framework and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Societies apply those standards directly in recognising, derecognising, measuring and valuation of assets and liabilities and measuring and reporting income, expenses, profit or loss, cash flows and changes in equity.

In addition to the provisions of these Standards, societies and disabled persons organisations shall also comply with the provisions of this Standard.

For the purposes of this Standard, a society is an organisation established under the Societies Act.

For the purposes of this Standard, a disabled persons organisation is an organisation established under the Societies Act that has a status of a disabled persons organisation under the Disabled Persons Organisations Act.

B The Standard

33.1 A society prepares an annual financial report, based on the information recorded in its books of account and an inventory at the end of the accounting period, which includes:

- a balance sheet with notes, including a description of utilisation of the net surplus of revenue over expenses in previous accounting periods;
- an income statement with notes;
- an appendix to the income statement with notes showing the extent of the society's gainful activity during the accounting period.

33.2 A balance sheet for external business reporting shall consist of at least the items specified for small companies in SAS 20 - Formats of a balance sheet for external business reporting, except that societies present a fund under A - equity and liabilities, which shall be broken down into:

A Fund
I Society's fund
II Revaluation surplus
III Fair value reserve

The society does not account for deferred tax assets and deferred tax liabilities.

33.3 The society shall account for assets and liabilities in accordance with SAS 1 to SAS 17. Notwithstanding this, a society which is not subject to auditing its financial statements under the Societies Act may value assets and liabilities in accordance with these rules:

The cost of assets acquired free of charge (donated), whose purchase price or market value of which is unknown, is determined by appraisal, taking into account the cost of identical or comparable assets.

Property, plant and equipment and intangible assets manufactured by the society itself shall be valued at their costs incurred and attributable to their availability for use.
Investments and receivables shall not be revalued unless impaired or in case of reversal of impairment.

The value of investments and receivables that are reasonably possible that they will not be settled or will not be settled in full shall be disclosed by the society in the notes to the financial statements.

Inventories of materials and merchandise shall be valued at purchase prices and inventories of products and work in progress are valued at the costs of manufacturing materials and third-party manufacturing services. The inventories used are valued using the method chosen.

The inventories of materials and merchandise may be valued at the end of the accounting period at the latest documented purchase prices, and inventories of products and work in progress may be valued at the latest prices of quantities consumed of manufacturing materials and third-party manufacturing services. The costs of materials used or merchandise sold or materials and services sold are adjusted for any differences identified.

33.4 The society's fund is valued at the difference between the assets plus deferred costs and accrued revenue and the liabilities plus provisions, accrued costs and deferred revenue, revaluation surplus and fair value reserves.

33.5 The society shall prepare the income statement for external business reporting in accordance with SAS 21 – Income Statement for External Business Reporting, format I, without using number 18 - Deferred taxes. Number 19 Net profit or loss for the accounting period shall be replaced by numbers:

19 Net revenue surplus for the accounting period;
20 Net expense surplus for the accounting period;
21 Coverage of expenses of the accounting period under review from the net revenue surplus of the previous accounting periods.

The society shall include under item Other operating revenue also the revenue from:
(a) grants from the Foundation for Financing of Disabled Persons and Humanitarian Organisations in the Republic of Slovenia;
(b) grants from budgetary and other public funds;
(c) grants from other foundations, funds and institutions;
(d) donations from other legal and natural persons;
(e) contributions from users of special social programmes;
(f) membership fees and contributions from members.

The society shall disclose items (a) to (f) stated above in the notes to the income statement.

The net revenue surplus for the accounting period is the difference between the (higher of) revenue and expenses for the accounting period, less corporate income tax accounted for.

The net expense surplus for the accounting period is the difference between the (higher of) expenses and the corporate income tax accounted for and the revenue for the accounting period.

The coverage of expenses of the accounting period under review from the net revenue surplus of the previous accounting periods shall comprise the amount of the net revenue surplus of previous accounting periods that the society earmarks to cover the expenses of the accounting period considered.

The content of items in the income statement that is not specified in this Standard shall be defined in SAS 1 to SAS 17.

33.6 Costs, expenses and revenue shall be accounted for in accordance with SAS 12 to SAS 15. Notwithstanding the above, a society which is not subject to auditing of its financial statements under the Societies Act may post, during the accounting period, in the accounts of costs of materials and merchandise sold the purchase value of the quantities of materials and merchandise purchased then and reconcile, at the end of the accounting period, the costs of the materials consumed or materials sold with the change in inventories, as determined by taking an inventory of the quantities and valuing them at the most recent purchase prices. In this case, the society shall disclose in the notes to the income statement:
(a) the cost of purchased materials;
(b) the increase in inventories of materials;
(c) a decrease in inventories of materials.

33.7 The society shall keep its books of account in a way that enables the presentation of information necessary for the preparation of its annual balance sheet and income statement. A society which does not show all the information necessary for the preparation of the financial statements (single-entry bookkeeping and simplified presentation) in the books of account shall provide it by means of an annual inventory.

A society which has also carried out a gainful activity during the accounting period for which it prepares its annual report is required to draw up an appendix to its income statement in the form set out in SAS 33.5, in which it shall indicate the amounts relating to the gainful activity.

For the purpose of preparing the appendix referred to in the preceding paragraph, the society shall adopt appropriate criteria for the classification of indirect expenses into those relating to a gainful activity and those relating to a non-profit activity. If it is not possible to determine an appropriate criterion, the criterion shall be the ratio of the revenue generated by a gainful activity to the revenue generated by a non-profit activity of the society during the accounting period. The society shall disclose the criteria in the appendix.

33.8 A society which, in accordance with the act governing the functioning of societies, may keep its books of account on the basis of the single-entry bookkeeping system and shall comply with the provisions of Appendix I to SAS 30 – Single-Entry Bookkeeping.

33.9 The society shall also provide, as business documents, time-sequenced statements of changes in balances of its bank accounts.

33.10 The society shall provide in its books of account or in separate records the information on the use of earmarked public and other funds received for its functioning, for the implementation of specific social programmes and for investments.

33.11 Regardless of the method of keeping the books of account, the society shall take inventory of its assets and liabilities at the end of the accounting period. It shall also take an inventory at the beginning or when it discontinues its activity and when a change of status occurs.

33.12 The books of account and reports shall be accessible at the registered office of the society. If its books of account are kept by another legal or natural person who has a registered activity according to the classification of activities, the books of account may be kept by that person.

C Key Definitions

33.13 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) The term **accounting period** means the period for which the society prepares its annual report.

(b) **The society's fund** is the society's own source of funding. It comprises the founding contribution, the net revenue surplus allocated for specific purposes, the undistributed net revenue surplus and the unsettled net expense surplus (a deduction item). The founding contribution of the society shall consist of the funds made available to the society by the founders at the time of its foundation and stated as such in the founding instrument of the society.

(c) **Legal bases** are regulations, contracts, court decisions and written decisions by creditors or owners to waive rights or ownership of assets.

D Clarifications

33.14 The society may also have reserves and earmarked funds for educational, social and other purposes within the society's fund in accordance with its rules and decisions.

33.15 Changes in investments, operating receivables and financial and operating liabilities based on other legal bases shall also increase financial revenue or expenses.

Reconciliation of investments, operating receivables and financial and operating liabilities shall be made at the date of the legal basis giving rise to the change in value and, in the event of reconciliation on the basis of an agreed revaluation, also at the time of preparation of the annual report.

33.16 The society may settle the net expense surplus from reserves, net revenue surplus from previous accounting periods, or to the debit of other parts of the society's fund.

E Date of Adoption and Effective Date

32.10 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance. Societies and disabled persons organisations shall apply this Standard for periods beginning 1 January 2016.

From the date on which this Standard comes into effect, societies and disabled persons organisations shall cease to apply SAS 33 – Accounting Solutions in Societies and Disabled Persons Organisations and the Interpretation to SAS 33 (2006).

Slovenian Accounting Standard 34 (2016)

ACCOUNTING SOLUTIONS IN NON-PROFIT ORGANISATIONS – PRIVATE LAW ENTITIES

A Introduction

This Standard relates to the Introduction to the Slovenian Accounting Standards and the SAS Framework and to Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23. Non-profit organisations – private law entities (hereinafter referred to as non-profit organisations) apply those standards directly in recognising, derecognising, measuring and valuation of assets and liabilities and measuring and reporting income, expenses, profit or loss, cash flows and changes in equity.

In addition to the provisions of these Standards, non-profit organisations shall also comply with the provisions of this Standard.

This Standard is based on acts and e other regulations governing non-profit activities.

For the purposes of this Standard, non-profit organisations are private law entities that keep books of account in accordance with the Accounting Act.

B The Standard

(a) Specific features of the presentation of items in a balance sheet

34.1 A balance sheet of a non-profit organisation shall be broken down according to its size in accordance with SAS 20 – Formats of a Balance Sheet for External Business Reporting, except that, in the case of equity and liabilities, the organisation shall disclose:

A OWN EQUITY

I Founding contribution

II Fair value reserves

III Net profit or loss carried forward

- 1 Undistributed net revenue surplus
- 2 Undistributed net expense surplus

IV Net result or loss for the financial year

- 1 Net revenue surplus for the financial year
- 2 Net expense surplus for the financial year

(b) Specific features of the presentation of items in an income statement

34.2 Net profit or loss in the income statement of a non-profit organisation is the net revenue surplus or net expense surplus for the accounting period.

(c) Specific features of revaluation

34.3 A non-profit organisation shall apply the cost model to measure property, plant and equipment after recognition.

34.4 A non-profit organisation may measure financial instruments after their recognition at fair value if Level 1 inputs - unadjusted quoted prices in active markets for identical assets - are available for those financial instruments and can be accessed by the non-profit organisation at the measurement date. If such measurement is not possible, the non-profit organisation shall measure financial instruments at cost.

(d) The nature and contents of special schedules and notes to the financial statements

34.5 A non-profit organisation shall disclose specifically in the notes to the financial statements:

(a) the criteria used to allocate assets, liabilities, revenue and expenses to each non-economic public services and to its own activities;
(b) receivables due from the founder;
(c) works of art and other objects of cultural or of historical value in the schedule of balances and movements of property, plant and equipment;
(d) gain or loss on disposal of the assets mentioned in the previous indent;
(e) revenue and expenses by nature of activities of non-economic public services and by own activity;
(f) the revenue from the budget and separately the other revenue within the revenue for the performance of the activities of non-economic public services;
(g) indirect costs and their allocation to the activities of each non-economic public service and to its own activities;
(h) depreciation accounted for and its use for the purchase of:
- fixed assets for the performance of activity of non-economic public service activities,
- fixed assets for the performance of their own activities;
(i) the formation and use of long-term deferred revenue to cover depreciation expense of:
- fixed assets intended for the performance of non-economic public services,
- fixed assets for the performance of own activities;
(j) the earmarked funds received and used by purpose and, within these funds, separately the funds received and used from the budget;
(k) the shares of each co-founder in the founder's equity;
(l) the revenue surplus identified and allocated or the expense surplus identified and covered by the activities of each non-economic public service and own activities.

C Key Definitions

34.6 This Standard uses some terms which need to be explained in order to define the key concepts.
(a) **The founding contribution** is the amount provided by the founder to the non-profit organisation by the constitutive act as a permanent source of funds. As a rule, the founding contribution may be increased or decreased only by decision of the founder or by law. Funds provided by the founder by the constitutive act to cover selected operating costs shall not be considered a founding contribution. The founding contribution is not a liability to the founder, but is earmarked assets. The founding contribution only occurs in the case of institutions (foundations) or other non-profit organisations which have earmarked assets provided for by law.

(b) **Budget funds** / **Budget appropriations** are amounts received by a non-profit organisation for the performance of activities from the budget of the state or a local community, irrespective of the purposes for which they are received, other than payments for products or services for which the state or a local community is the purchaser.

(c) **Donations** are amounts or things received by a non-profit organisation from natural or legal persons without any obligation to repay and do not relate to payments for products or services of which those persons are the purchasers. Donations shall not include budget appropriations.

(d) **The performance of non-economic public services** is the provision of activities defined as such by law or by other regulations adopted by the state or a local community in accordance with the law.

(e) **Own activity** is an activity other than the provision of a non-economic public service.

D Clarifications

34.7 The net revenue surplus shall be distributed by a non-profit organisation in accordance with the law, the constituent act or other instrument or a decision of the competent body.

34.8 Where a non-profit organisation establishes an organisation to perform an activity and consolidated financial statements are prepared, the provisions on consolidation contained in the SASs and the RARs shall apply mutatis mutandis.

E Transitional provision

34.9 On the date of application of this Standard, non-profit organisations shall transfer an earmarked fund as an item of equity and liability to undistributed net revenue surplus.

F Date of Adoption and Effective Date

34.10 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance. Non-profit organisations shall apply this Standard for periods beginning 1 January 2016.

From the date on which this Standard comes into effect, non-profit organisations shall cease to apply SAS 36 – Accounting Solutions in Non-Profit Organisations – Private Law Entities (2006).

Slovenian Accounting Standard 35 (2016)

ACCOUNTING SOLUTIONS IN SOCIAL ENTERPRISES

A Introduction

This Standard addresses specific features of accounting in organisations that have obtained a social enterprise status under the Social Entrepreneurship Act (hereinafter referred to as social enterprise).

This Standard relates to the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016) and to the Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23.

This Standard deals with the accounting specificities of social enterprises, regardless of their legal form of organisation, namely:

(a) the specific types of assets and the methods of their presentation;
(b) the specific types of liabilities and the methods of their presentation;
(c) the specific features of accounting for amortisation and depreciation;
(d) the specific features of the breakdown and measurement of revenue;
(e) the specific types of costs and expenses and the methods of their presentation;
(f) the specific features of determination and treatment of various types of profit or loss;
(g) the specific features of revaluation;
(h) the format of a balance sheet;
(i) the format of an income statement and a cash flow statement;
(j) the annual report and the nature and content of special disclosures and notes to the financial statements.

A social enterprise shall use those Slovenian Accounting Standards for the determination and presentation of assets and liabilities, the measurement of revenue and expenses and the determination of profit or loss that are applicable to the legal forms of organisation which include a social enterprise and the specific features set out in this Standard.

The amendments to the accounting solutions in social enterprises in this Standard are intended to address the specific features of financial reporting by these organisations for business purposes. The forms of reporting by social enterprises for tax and statistical purposes are governed by specific regulations.

B The Standard

(a) Specific types of assets and the methods of their presentation

35.1 A social enterprise shall present separately assets used for the performance of social entrepreneurship activities and separately assets used for the performance of other activities.

35.2 On the basis of the use of the assets referred to in the preceding Item, a social enterprise shall determine the criteria to be applied in allocating the costs and expenses relating to each type of assets.

35.3 Where a social enterprise uses the same intangible assets and property, plant and equipment to perform the social entrepreneurship activities and other activities, it shall identify the criteria in the internal rules and disclose them in the notes to the financial statements by which it allocates those assets to each type of activity. It shall also apply those criteria in allocating amortisation and depreciation, revaluation effects and other effects related to intangible assets and property, plant and equipment used to perform social entrepreneurship activities and other activities.

35.4 If a social enterprise performs activities that result in the presentation of inventories, it shall separately present the inventories related to the social entrepreneurship activity.

35.5 A social enterprise shall separately present intangible assets and property, plant and equipment acquired free of charge for the purpose of carrying out social entrepreneurship activities, as well as the cash used to acquire them. It presents accrued costs and deferred revenue for the value of these assets. It shall reduce the accrued costs and deferred revenue presented to the benefit of revenue in the period in which amortisation and depreciation expense or other expenses arising from the co-financed part of cost of these assets are incurred.

(b) Specific types of liabilities and the methods of their presentation

35.6 A social enterprise shall present separately equity and liabilities used for the performance social entrepreneurship activities and separately equity and liabilities used for the performance of other activities.

35.7 A social enterprise shall initially recognise the allowances and/or incentives from public funds under the Social Entrepreneurship Act and/or other forms of government grants received for the performance of social entrepreneurship activities. It shall present them separately under accrued costs and deferred revenue which are transferred to revenue in the period in which the costs or expenses are incurred for which the allowances and/or incentives from public funds and/or other government grants have been received. Allowances and/or incentives from public funds and/or other forms of government grants received by a social enterprise that are not intended for the performance of social entrepreneurship activities and their use shall be presented separately.

35.8 A social enterprise shall recognise allowances and/or incentives from public funds and/or other forms of government grants for investment in intangible assets or property, plant and equipment for the performance of social entrepreneurship activities under accrued costs and deferred revenue. It shall transfer them to revenue in proportion to the amortisation and depreciation charged on the co-financed part of the cost of such assets.

(c) Specific features of accounting for amortisation and depreciation

35.9 A social enterprise shall present separately the amortisation and depreciation accounted for assets used for the performance of social entrepreneurship activities and the amortisation and depreciation accounted for assets used for the performance of other activities. Amortisation and depreciation accounted for assets used for the performance of social entrepreneurship activities and for the performance of other activities shall be allocated to the individual activities on the basis of criteria determined in accordance with SAS 35.2 and SAS 35.3.

35.10 Amortisation and depreciation of all assets shall be accounted for by a social enterprise, for which amortisation and depreciation are to be accounted for either under SAS 1 or SAS 2, notwithstanding that some of them have been financed in whole or in part by allowances and/or incentives from public funds and/or other forms of government grants.

35.11 A social enterprise shall separately present the amortisation and depreciation accounted for and its use for:
- intangible assets and property, plant and equipment used for the performance of social entrepreneurship activities;
- intangible assets and property, plant and equipment for the performance for other activities.

(d) Specific features of the break-down and measurement of revenue

35.12 Operating revenue of a social enterprise is the revenue from the sale of products, merchandise, and services, irrespective of who the payer is. The operating revenue shall also include all revenue from allowances, incentives and other forms of grants.

35.13 A social enterprise shall separately account for and present revenue from:
- the performance of social entrepreneurship activities,
- the performance of other activities.

35.14 Where a social enterprise generates revenue from the performance of social entrepreneurship activities and other activities at the same time and it cannot be directly attributed to an individual activity, it shall allocate that revenue on the basis of the criteria for its allocation to social entrepreneurship activities and other activities laid down in the internal act of the social enterprise.

35.15 Allowances and/or incentives from public funds and/or other government grants shall be recognised as revenue of the social enterprise in the period in which the costs and expenses are incurred to cover those for which they are received.

Notwithstanding the preceding paragraph, a social enterprise shall recognise allowances and/or incentives from public funds and/or other government grants for the social entrepreneurship activities, which are part of the prices for products sold or services rendered, as revenue for the reporting period under the conditions set out in SAS 15.11 and 15.12.

35.16 A social enterprise shall distribute operating, financial and other revenue that is not directly distributable to that deriving from the performance of social entrepreneurship activities and that deriving from the performance of other activities on the basis of criteria defined in an internal act.

(e) Specific types of costs and expenses and the methods of their presentation

35.17 A social enterprise shall separately account for and present:
- costs and expenses arising from social entrepreneurship activities;
- costs and expenses arising from other activities.

35.18 A social enterprise shall establish a profit (responsibility) centre for each of the activities referred to in the preceding item. For each profit (responsibility) centre, it shall identify the revenue, the costs incurred and attributed to it and the profit or loss.

35.19 A social enterprise shall allocate indirect costs and expenses to the appropriate profit (responsibility) centres in accordance with the criteria defined in the internal act.

35.20 Where a social enterprise presents operating, financial or other costs or expenses arising from the performance of social entrepreneurship activities and other activities, it shall allocate them to profit (responsibility) centres on the basis of criteria defined in an internal act.

(f) Specific features of determination and treatment of various types of profit or loss

35.21 A social enterprise shall determine profit or loss separately for:
- social entrepreneurship activities;
- other activities.

35.22 A social enterprise shall allocate and use profit or loss for the period in accordance with the law governing social entrepreneurship.

35.23 A social enterprise shall present the allocation and use of profit or loss from social entrepreneurship activities in separate accounts within its own sources of assets.

35.24 A social enterprise shall present separately that part of the profit or loss from social entrepreneurship activities which is allocated to cover certain costs or expenses in the following accounting periods, under the item profit or loss carried forward, revenue surplus or society's fund.

35.25 Whenever a social enterprise separately presents profit or loss carried forward, revenue surplus or society's fund to cover the costs and expenses arising from social entrepreneurship activities, it shall not use it directly to cover costs, expenses or expenditure arising from these items, but shall use it to cover loss arising from those activities in the year in which that loss occurs.

(g) Specific features of revaluation

35.26 A social enterprise shall separately present the effects of revaluation and revaluation of assets for the performance of social entrepreneurship activities and other activities.

(h) Formats a balance sheet

35.27 A social enterprise shall not use a specific format of a balance sheet, but shall use the format of a balance sheet prescribed by the Slovenian Accounting Standards applicable to the legal form of organisations to which the social enterprise belongs.

A social enterprise shall present, in a separate schedule, that has the format of a balance sheet and forms an integral part of the annual report, the following information for
- the social entrepreneurship activity; and
- other activities.

(i) Format of an income statement and a cash flow statement

35.28 A social enterprise shall not use a specific format of an income statement, but shall use the format of an income statement prescribed by the Slovenian Accounting Standard applicable to the legal forms of organisations to which the social enterprise belongs.

35.29 A social enterprise shall present, in a separate schedule, that has the format of an income statement and forms an integral part of the annual report, the following information for
- the social entrepreneurship activity;
- other activities.

35.30 If, by virtue of its legal form of organisation, a social enterprise is required to prepare a cash flow statement, it shall, in a separate schedule, that has the format of a cash flow statement and forms an integral part of the annual report, present the following information for
- the social entrepreneurship activity;
- other activities.

(j) Annual report, types and content of special disclosures and notes to the financial statements

35.31 The annual report of a social enterprise shall contain, in addition to the content and disclosures prescribed by the law governing the legal organisation of an individual legal form of the social enterprise:

(a) a schedule showing the movements and balances of the allowances and/or incentives received from public funds under the law regulating social entrepreneurship and/or other government grants for social entrepreneurship activities, by type, as follows:
- the initial balance or unused part from previous years,
- increases during the accounting period,
- consumption during the accounting period by purpose,
- the closing balance for the accounting period;

(b) the substantively and professionally justified criteria according to which the assets and liabilities are allocated to the various activities;

(c) the substantively and professionally justified criteria that it uses to allocate indirect costs and expenses to individual activities or profit (responsibility) centres;

(d) the substantively and professionally justified criteria to allocate revenue to that from social entrepreneurship activities and that from other activities;

(e) presentation of allocation of the positive (net) profit or loss by different purposes as defined by the law governing social entrepreneurship;

(f) presentation of covering the (net) loss;

(g) the average number of employees who have been in the social enterprise for at least nine months of the year and the average number of volunteers in the social enterprise during the comparable accounting period;

(h) the average number of employees who have been in the social enterprise for at least nine months of the year and the average number of volunteers during the accounting period, and the decrease or increase in the number of employees and the number of volunteers in the current year in the social entrepreneurship activity;

(i) the average number of employees who have been in the social enterprise for at least nine months of the year and the number of volunteers during the accounting period, and the decrease or increase in the number of employees during the current year in activities with special employment conditions;

(j) a statement that the social enterprise has laid down in its instrument of constitution or internal act more detailed rules on keeping the books of accounts and the substantively and professionally justified criteria referred to in points (b), (c) and (d) of this item, indicating the date of adoption of those criteria.

C Key Definitions

35.32 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) **A social enterprise** is an organisation that has acquired that status by law.
(b) **Allowances and/or incentives from public funds** are grants of all forms that a social enterprise receives under the Social Entrepreneurship Act or other regulations to perform social entrepreneurship activities or other activities.

D Clarifications

35.33 The own sources of funds are:
- equity or founding contribution and
- net profit or loss.

35.34 The designation of the profit or loss of a social enterprise depends on its organisational form and is the difference between the total revenue and the total expenses of the social enterprise. Profit or loss can be positive or negative.

35.35 The designation of the net profit or loss of a social enterprise depends on its organisational form. It is determined by reducing the profit or loss referred to in SAS 35.34 by any taxes charged against that profit or loss.

35.36 A social enterprise shall determine the rules for keeping the books of account and preparing financial statements of a social enterprise; the rules for the preparation of its financial statements, and the substantively and professionally justified criteria for allocating assets and liabilities, revenue, expenses, costs and expenses to social entrepreneurship activities and other activities in its act.

E Date of Adoption and Effective Date

35.37 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Social enterprises whose financial year is identical with a calendar year shall apply this Standard for periods beginning 1 January 2016, while other social enterprises shall first apply it for the financial year beginning after this date.

From the date on which this Standard comes into effect, social enterprises shall cease to apply SAS 40 – Accounting Solutions in Social Enterprises (2012).

SLOVENSKI INŠTITUT za REVIZIJO

Slovenian Accounting Standard 39 (2016)

ACCOUNTING SOLUTIONS IN ORGANISATIONS IN BANKRUPTCY OR LIQUIDATION

A Introduction

This Standard addresses specific features of accounting solutions in organisations in bankruptcy or liquidation and the preparation of financial statements for them.

This Standard governs the rules for the preparation of an opening balance sheet of an organisation in bankruptcy or liquidation (hereinafter referred to as opening balance sheet), the valuation and measurement of accounting items during bankruptcy or liquidation (hereinafter referred to as the proceedings), keeping of the books of account during the proceedings, the preparation of a closing balance sheet of an organisation in bankruptcy or liquidation (hereinafter referred to as closing balance sheet), and the retention of documents after the proceedings are closed.

Under this Standard, organisations in bankruptcy or liquidation are those organisations for which the bankruptcy or compulsory settlement proceedings have been formally initiated by law. This Standard does not apply to organisations wound up under the summary winding-up rules.

Whenever this Standard does not provide specific accounting solutions for organisations in bankruptcy or liquidation, the Introduction to the Accounting Standards, the SAS Framework and Accounting Standards (SASs) 1-17 and 20-23 apply mutatis mutandis.

The Standard (Section B) shall be read in the context of key definitions (Section C), clarifications (Section D), the Introduction to the Slovenian Accounting Standards and the SAS Framework (2016).

B The Standard

(a) Special features of valuation and measurement of accounting items in an opening balance sheet

39.1 At the date before the commencement of the proceedings, an organisation in bankruptcy or liquidation (hereinafter referred as an organisation) shall prepare financial statements in accordance with the Introduction to the Slovenian Accounting Standards, the SAS Framework and the Slovenian Accounting Standards (SASs) 1 to 17 and 20 to 23.

39.2 At the date of commencement, the organisation shall take inventory of all assets and liabilities and prepare an opening balance sheet, taking into account the valuation and measurement rules for accounting items in accordance with this Standard.

The organisation shall prepare an opening balance sheet no later than 4 months after the commencement of the proceedings.

39.3 The organisation shall explain significant differences between the balance sheet prepared at the date before commencement of the proceedings and the opening balance sheet in an appendix to the opening balance sheet.

SLOVENSKI INŠTITUT za REVIZIJO

(b) Valuation, measurement and presentation of assets and liabilities in an opening balance sheet

39.4 Intangible assets shall be valued in the opening balance sheet at their estimated market value, under the assumption of forced sale.

Investments in concessions, patents, licences, trademarks and similar rights shall be presented only if they can be sold.

The opening balance sheet shall not present long-term deferred costs and accrued revenue comprising:
- long-term deferred development costs;
- investments in goodwill;
- other long-term deferred items.

39.5 Tangible fixed assets (land, buildings, equipment, rearing herd and vineyards, orchards and other plantations) are valued at estimated market value in the opening balance sheet, under the assumption of forced sale.

Property, plant and equipment acquired through finance leases shall be presented separately.

39.6 Long-term investments shall be recorded as short-term investments.

39.7 Investments in the capital of other organisations shall be valued at market value or net realisable value.

Loans granted, deposits and collaterals shall be valued at contractual or net realisable value. Outstanding non-interest-bearing investments are valued at their discounted value at the date of the commencement of the proceedings.

Purchased own shares or interests shall not be presented. Receivables for unpaid subscribed capital are recorded at contractual value.

39.8 Investments denominated in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of the commencement of the proceedings.

39.9 Inventories of raw materials and materials, low-value assets and packaging, work in progress, finished goods and merchandise shall be valued at net realisable value in the opening balance sheet, except for those inventories that the organisation will use if the continuation of its production is possible. The latter are valued in accordance with SAS 4 Inventories.

39.10 Long-term operating and financial receivables shall be transferred to current operating and financial receivables accounts.

39.11 Receivables shall be valued at contractual or net realisable value.

Outstanding non-interest bearing receivables shall be valued at their discounted value at the date of commencement of the proceedings.

39.12 Receivables denominated in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of the commencement of proceedings.

39.13 Cash in hand and credit balances with banks and other financial institutions shall be shown as cash in the opening balance sheet.

Cash in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of commencement of the proceedings.

39.14 Unrealisable short-term deferred costs or deferred expenses shall not be presented in the opening balance sheet. Monetary values and other realisable short-term deferred cost or deferred expenses shall be valued at net realisable value at the date of commencement of the proceedings.

39.15 An organisation shall disclose separately any assets that are encumbered by ancillary rights.

Receivables and liabilities that are deemed to be set off at the date of commencement of the proceedings under the law governing insolvency proceedings shall not be disclosed in the opening balance sheet.

39.16 Long-term accrued costs and deferred revenue shall not be presented in the opening balance sheet. Only liabilities, if any, that have already been incurred by the time the proceedings are initiated or that are certain to be incurred during the proceedings shall be presented. Such liabilities shall be shown as current.

39.17 Long-term financial and operating liabilities shall be transferred to the current financial and operating liabilities accounts.

39.18 Liabilities to creditors of preferential, subordinated and ordinary receivables, separation creditors and creditors entitled to separate satisfaction, and liabilities to creditors set off in the course of the proceedings shall be presented separately.

The filed receivables of creditors which are disputed and liabilities already incurred in respect of costs of the proceedings shall be shown separately.

Liabilities to creditors for receivables related to a resolutive condition shall be shown separately.

39.19 Liabilities shall be stated at amounts that are reconciled with the amounts of creditors' liabilities filed. Liabilities that have not yet been reconciled with the filled receivables of creditors by the time the opening balance sheet is prepared, and liabilities that are not required to be reported under the law governing insolvency proceedings, shall be presented at the amounts determined by the receiver in bankruptcy.

Liabilities to creditors who fail to file their receivables in time shall not be presented.

39.20 Liabilities in foreign currencies shall be translated into euro at the reference rate of the European Central Bank on the date of commencement of the proceedings.

39.21 Outstanding non-interest-bearing financial and operating liabilities shall be valued at their discounted value.

(c) Liabilities to owners

39.22 A positive difference between assets and liabilities shall be shown as a liability to owners in the opening balance sheet and a negative difference as a loss under assets of the opening balance sheet.

(d) Specific features of valuation and measurement of accounting items during the proceedings

39.23 During the proceedings, the organization shall keep the books of account and prepare financial statements in accordance with this Standard and take into account individual SASs that govern the economic categories (Standards I).

39.24 Inventories used to complete the production or production during the proceedings are valued in accordance with SAS 4 Inventories.

39.25 Receivables incurred during the proceedings shall be presented separately and valued in accordance with SAS 5 Receivables.

39.26 Investments incurred during the proceedings shall be presented separately and valued in accordance with SAS 3 Investments.

39.27 Liabilities incurred during the proceedings shall be presented separately and valued in accordance with SAS 9 Liabilities.

Outstanding non-interest-bearing financial liabilities that were valued at discounted value in the opening balance sheet shall be valued in accordance with the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act.

39.28 Liabilities for interest arising from financial and operating liabilities presented in the opening balance sheet shall be shown in accordance with the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act

(e) Specific features of amortisation or depreciation and revaluation

39.29 As a general rule, depreciation of property, plant and equipment assets and amortisation of intangible assets shall not be accounted for during the proceedings.

Whenever the production continues during the proceedings, the competent court may, on the suggestion of the receiver in bankruptcy, determine that the property, plant and equipment and intangible assets involved in the production process be amortised / depreciated and revalued due to impairment in accordance with SAS 1 Property, Plant and Equipment and SAS 2 Intangible Assets.

39.30 During the proceedings, assets are not generally revalued, except for the exceptions in SAS 39.29.

(f) Application of the chart of accounts

39.31 The organization shall keep its books of account in accordance with the prescribed Uniform Chart of Accounts for companies, sole proprietors - individuals, farm households, cooperatives, non-profit organizations - private law entities, and societies and disabled persons organizations, but shall not use the account groups and classes prescribed therein:

06 - Long-term investments other than loans;
07 - Long-term loans and receivables for unpaid called-up capital;
08 - Long-term operating receivables;
29 – Short-term accrued costs and deferred revenue;

75 - Other financial expenses and other expenses;
78 - Other financial revenue and other revenue;

CLASS 9 - Capital, long-term liabilities and provisions.

In addition, the organisation uses the following groups of accounts:
09 - Loss in the opening balance sheet;
75 - Net expenses for the collection of bankruptcy or liquidation assets and other expenses;
78 - Net proceeds from the collection of bankruptcy or liquidation assets and other revenue;
80 - Profit or loss determined during the proceedings;
81 - Carry forward of gain or loss determined during the proceedings;
90 - Liabilities to owners;
91 - Liabilities to creditors entitled to separate satisfaction;
92 – Liabilities to creditors with a right of separation;
93 - Liabilities to employees to be settled as costs of the proceedings;
94 - Liabilities for disputed receivables;
95 - Liabilities to creditors of ordinary receivables;
96 - Liabilities to creditors of preferential receivables;
97 - Liabilities to creditors of subordinated receivables;
98 - Liabilities to contingent receivables;
99 - Liabilities for costs of the proceedings.

39.32 An organisation may design its own chart of accounts to meet its needs and extend the prescribed groups of accounts to breakdown (analytical) three-digit and multi-digit accounts.

39.33 Costs, expenses and expenditure incurred during the proceedings shall be presented in accordance with SAS 12 Costs of Materials and Services, SAS 13 Labour Costs and Employee Benefit Costs, SAS 14 Expenses, and SAS 15 Revenue. Two specific features should be taken into account:
- The positive difference between the value of the collected bankruptcy or liquidation assets and their value shown in the opening balance sheet shall be presented as net revenue from the collection of these assets and the negative difference between them as net expense for the collection of these assets.
- The operating result during the proceedings shall be gain or loss incurred in the course of the proceedings; this result shall directly increase or decrease the loss or the liability to owners shown in the opening balance sheet.

(g) Preparation of financial statements during and after the proceedings

39.34 An organisation shall prepare a balance sheet and an income statement and collection of assets at least every 3 months or more frequently if required by a competent court or other body authorised by the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act. An organisation that is allowed by court to continue the production and to perform other current operations shall prepare a monthly balance sheet, a monthly income statement and collection of assets, a monthly statement of cash flows by the 10th of the current month in accordance with the balance as at the last day of the preceding month.

An organisation shall prepare a closing balance sheet, an income statement and collection of assets, a statement of cash flows at the date on which all the actions of the insolvency proceedings have been completed.

(h) Format of a balance sheet

39.35 An organisation shall prepare a balance sheet that contains, at a minimum, the following items:

Assets

I Intangible assets

1 Concessions, patents, licences, trademarks and similar rights
2 Advances for intangible assets

II Property, plant and equipment

1 Land
2 Buildings
3 Equipment
4 Other equipment
5 Rearing herd
6 Vineyards, orchards, and other plantations
7 Property, plant and equipment in the course of construction
8 Advances for property, plant and equipment
9 Fixed assets leased

III Inventories

1 Material
2 Work in progress
3 Products and merchandise
4 Advances for inventories

IV Receivables incurred until the commencement of the proceedings

1 Operating receivables
2 Receivables for unpaid subscribed capital
3 Other receivables
4 Collaterals
5 Receivables set off during the proceedings

V Receivables incurred in the course of proceedings

1 Receivables due from customers / Trade receivables
2 Other receivables
3 Collaterals

VI Investments

1 Shares and interests purchased for sale
2 Loans granted
3 Other financial instruments

VII Investments made in the course of the proceedings

1 Shares and interests purchased for sale
2 Loans granted
3 Other financial instruments

VIII Cash

1 Cash in hand and cheques received
2 Cash at bank

IX Loss

X Off-balance sheet assets

Equity and Liabilities

A Liabilities to owners
B Liabilities to creditors entitled to separate satisfaction

C Liabilities to creditors with a right of separation
D Liabilities to employees to be settled as costs of the proceedings
E Liabilities for disputed receivables
F Liabilities to creditors of ordinary receivables
G Liabilities to creditors of preferential receivables
H Liabilities to creditors of subordinated receivables
I Liabilities to contingent receivables
J Liabilities set-off in the course of the proceedings
K Financial liabilities incurred in the course of the proceedings
  1 Loans obtained
  2 Securities issued
  3 Other financial liabilities
L Operating liabilities incurred in the course of the proceedings
  1 Liabilities to suppliers
  2 Liabilities to employees
  3 Liabilities to the state
  4 Liabilities for advances
  5 Other payables
M Liabilities for the conduct of the proceedings
  1 Liabilities for the costs of the receiver's remuneration
  2 Liabilities for other costs of the proceedings
N Off-balance sheet liabilities

The organisation shall disclose separately any assets that are encumbered by ancillary rights.

(i) Format of an income statement and collection of assets in the course of the proceedings

39.36 An organisation shall prepare an income statement and collection of assets in the course of the proceedings. It shall contain at least the following items:
  A Net revenue from the sales during the bankruptcy
± B Change in inventories of products and work in progress
+ C Value of capitalised own products and/or services
+ D Other operating revenue
= E Gross operating profit of the organisation
- F Costs of goods, materials and services
  1 Cost of goods sold
  2 Costs of materials
  3 Costs of services
- G Labour costs during the proceedings
  1 Payroll costs
  2 Social security costs and pension insurance costs
  3 Other labour costs
- H Amortisation of intangible and depreciation of property, plant and equipment
- I Write-downs of current operating assets
= J Operating profit or loss of the organisation
+ K Revenue from profit-sharing
+ L Revenue from interest and other financial revenue
- M Interest expenses and other financing expenses

= N Profit or loss from ordinary activities
+ O Net revenue from /expenses for collection of receivables from the opening balance sheet
+ P Net revenue from /expenses for collection of investments from the opening balance sheet
+ R Net revenue from /expenses for collection of inventories from the opening balance sheet
+ S Net revenue from /expenses for collection of intangible assets and property, plant and equipment from the opening balance sheet
+ T Other net revenue from /expenses for collection of assets from the opening balance sheet
- U Costs of proceedings
  1 Costs of remuneration of receiver in bankruptcy
  2 Other costs of the proceedings

= V Profit or loss in the course of the proceedings
- W Income tax

= X Net profit or loss in the course of the proceedings

(j) Format of a statement of cash flows

39.37 An organisation shall prepare a statement of cash flows that includes at least the following items:

Opening balance of cash flows

A Cash receipts from the collection of assets
- Cash receipts from the collection of receivables from the opening balance sheet
- Cash receipts from the collection of investments from the opening balance sheet
- Cash receipts from the collection of inventories from the opening balance sheet
- Cash receipts from the collection of intangible assets and property, plant and equipment from the opening balance sheet
- Other receipts from the collection of assets from the opening balance sheet

B Cash receipts from operations during the proceedings
- Cash receipts from the sale of products made and services rendered during the proceedings
- Interest revenue and other revenue from investing activities
- Other revenue from operations during the proceedings

C Cash available (A + B)

D Cash payments from operations during the proceedings
- Cash payments for purchases of materials and services during the proceedings
- Cash payments for wages / salaries and other labour costs
- Cash payments for charges
- Cash payments for interest and other financial expenses

E Cash payments relating to the proceedings
- Cash payments for remuneration of the receiver in bankruptcy
- Other cash payments relating to the proceedings

F Cash available for the repayment of creditors (C - D - E)
- Cash payments for liabilities from the opening balance to be settled as costs of the proceedings
- Cash payments to creditors with a right of separation
- Cash payments to creditors of preferential receivables
- Cash payments to creditors of ordinary receivables
- Cash payments to creditors of subordinated receivables

G Closing balance of cash

(k) Retention of financial statements, bookkeeping documents and other documentation

39.38 The organization shall retain financial statements, bookkeeping records and other documentation from the period before the commencement of the proceedings in the manner and within the time limits prescribed by the regulations.

39.39 After the completion of the proceedings, the financial statements, bookkeeping documents and other documentation shall be retained by an organisation authorised by law or registered to perform archiving services for the following periods:
- the annual reports before the commencement of the proceedings, the opening balance sheet and the closing balance sheet - permanently;
- the general ledger, the subsidiary books of accounts and the journal - 5 years after the completion of the proceedings;
- final payroll statements and pay slips for periods for which there are no final salary statements - 5 years after the completion of the proceedings;
- interim financial statements one year after the completion of the proceedings;
- the bookkeeping documents on the basis of which the posting is carried out and the documents prescribed by law, one year after the completion of the proceedings;
- bookkeeping documents of payment transactions in authorised financial institutions - 6 months after the completion of the proceedings;
- sales control books, subsidiary statements of account and similar bookkeeping documents - 6 months after the completion of the proceedings.

After the expiry of the retention period, the financial statements, bookkeeping documents and other documentation shall be destroyed.

The costs of retention shall be charged against the bankruptcy or liquidation estate.

39.40 An organisation authorised by law or registered to perform archiving services shall make the data that it retains available to anyone who demonstrates a legitimate interest (the Financial Administration of the Republic of Slovenia, the Pension and Disability Insurance Institute of Slovenia, former employees, bankruptcy or liquidation creditors and others) and shall also issue a copy of the requested data in return for the compensation of the actual costs.

C Key Definitions

39.41 This Standard uses some terms which need to be explained in order to define the key concepts.

(a) **The estimated market value under the assumption of forced sale** of assets, is the estimated value of the assets as determined by the receiver in bankruptcy. The receiver in bankruptcy may authorise a certified asset valuer to estimate the market value of assets under the assumption of a forced sale.

(b) **Forced sales** are often conducted in circumstances where the seller is forced to sell and therefore an adequate marketing period is not possible. The price that could be achieved in such circumstances will depend on the nature of the pressure on the seller and the reasons why an appropriate marketing period is not possible.

(c) **The market value** of an investment is the value at which the investment can be sold at the date when the proceedings are initiated.

(d) **The net realisable value** of investments, inventories and receivables is the estimated selling price at which investments, inventories and receivables can be sold or collected, less the selling costs or costs of collection.

(e) **Liabilities to owners** are liabilities that are settled out of the assets remaining after creditors have been repaid in full and legal costs paid.

(e) Separation **creditors** are creditors who have a right to specific repayment out of the assets of the bankruptcy debtor (lien, right of repayment, retention right, and other rights to separate satisfaction).

(f) C**reditors** entitled to separate satisfaction are creditors who have the right, by virtue of the right of separation, to exclude from the assets things which do not belong to the receiver in bankruptcy.

D Clarifications

39.42 An organisation shall prepare the financial statements required by this Standard. However, a competent court may determine that an organisation also prepares budget financial statements that are broken down in the same way as account financial statements.

39.43 The estimated net market value of the organisation's assets under the assumption of forced sale may also be understood as the estimated value of net cash receipts obtained on the liquidation or bankruptcy of the organisation by the collection of its assets. It depends on the market value of the assets, the rate at which that value is realised, the direct and indirect liquidation costs, the timing of the collection (liquidation time) and the discount rate due to the deferral of the collection of the liquidated assets, all taking into account the assumption of forced sale.

E Date of Adoption and Effective Date

39.44 This Standard was approved by the Council of Experts of the Slovenian Institute of Auditors at its session held on 22 October 2015. It was subsequently approved by the Minister of Finance and the Minister of the Economy of the Republic of Slovenia. Organisations in bankruptcy or liquidation whose bankruptcy proceedings or compulsory settlement proceedings begin after 1 January 2016.

From the date on which this Standard comes into effect, organisations shall cease to apply SAS 37 – Accounting Solutions in Companies in Bankruptcy or Liquidation (2006).